1.0 CITY COUNCIL MEETING – 6:00 p.m.

Call to order (please place all cell phones & pager on silent)
Statement for the record of Council members present
Pledge of Allegiance
Invocation

2.0 AWARDS/RECOGNITIONS

2.1 Presentation of Resolution honoring the Sunrise Rotary Club.

2.2 Proclamation supporting openness in government and recognizing March 14th through March 20th, 2010 as “Sunshine Week.”

2.3 Proclamation declaring the Month of March 2010 as “Women’s History Month.”

3.0 COMMUNICATIONS

3.1 Presentations

3.2 Public Comment Period

This time is set aside for citizens to address the City Council on matters listed on the Consent Calendar as well as other items included on the regular agenda. If your comments concern an item noted on the regular agenda, please address the Council after that item is open for public comment. Pursuant to the Brown Act (Govt Code Section 54950 et. seq), action or Council discussion cannot be taken on matters not on the agenda other than to receive comments. Those matters will customarily be referred to the City Manager’s Office. Each speaker is allocated three (3) minutes to speak. Speakers may not cede their time. Comments should be limited to matters within the jurisdiction of the City. Persons wishing to address the Council must fill out a Speaker Request Form prior to the beginning of the meeting. Forms are available from the City Clerk, 1650 Stanton Drive, Shasta Lake, on the City’s website, or at the back of the meeting hall. If you have documents to present to members of the Council to review, please provide a minimum of seven copies.

3.3 Commission/Committee Reports


3.4 City Council Reports/Comments/Correspondence

3.5 Staff Comments/Reports
a) Development Services Director Carla Thompson – Report on Knauf Insulation air quality violations.

4.0 CONSENT CALENDAR

4.1 Approval of the regular meeting minutes of February 16, 2010.

4.2 Resolution accepting the Quarterly Investment Report for the period ending December 31, 2009.

5.0 PUBLIC HEARINGS

6.0 OLD BUSINESS

7.0 NEW BUSINESS

7.1 Discussion and possible direction regarding Calvary Chapel’s request to use city owned property during a 5K run and Family Fun Day on April 17, 2010.

7.2 Discussion and possible action to Approve the City of Shasta Lake Fiscal Year 2009/2010 Mid-Year Budget.

8.0 COUNCIL/STAFF REPORTS/COMMENTS

8.1 Council Comments/Reports

8.2 Staff Comments/Reports

9.0 Adjourn to Redevelopment Agency Meeting

1.1 REDEVELOPMENT AGENCY MEETING

1.1 Statement for the Record of Board Members present.

2.0 PUBLIC COMMENT PERIOD

The Chair reserves the right to limit the duration of each speaker to three minutes.

3.0 CONSENT CALENDAR

3.1 Approval of the regular meeting minutes of February 16, 2010.

4.0 NEW BUSINESS

4.1 Discussion and possible action on Resolution to approve the Redevelopment Agency Fiscal year 2009/2010 Mid-Year Budget.

5.0 ADJOURNMENT
**Committee and Commission Meetings:**

<table>
<thead>
<tr>
<th>Committee/Commission</th>
<th>Date/Time Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Council/ Redevelopment Agency Meetings</td>
<td>1st and 3rd Tuesday at 6:00 p.m.</td>
</tr>
<tr>
<td>Parks and Recreation Advisory Commission</td>
<td>4th Wednesday at 7:00 p.m. in January, March, May, July, September, and November</td>
</tr>
<tr>
<td>Planning Commission</td>
<td>3rd Thursday at 6:00 p.m.</td>
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</tbody>
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City Council Meetings are televised on Channel 11 the following Wednesday at 8:30 p.m. and Friday at 2:00 p.m.

Parties with a disability as provided by the American Disabilities Act who require special accommodations or aides in order to participate in the public meeting should make the request to the City Clerk at least 48 hours prior to the meeting.

“This is an equal opportunity institution”
PROCLAMATION

A PROCLAMATION OF THE CITY OF SHASTA LAKE CITY COUNCIL SUPPORTING OPENNESS IN GOVERNMENT AND RECOGNIZING MARCH 14th THROUGH MARCH 20th, 2010 AS “SUNSHINE WEEK.”

WHEREAS, a crucial element of a great democracy is citizen participation and awareness of the public's business discussed by elected leaders; trust being a critical element in this partnership; and

WHEREAS, the City of Shasta Lake recognizes that municipal government leaders must uphold that trust by building a healthy, positive relationship with their residents and voting citizens; and

WHEREAS, municipal leaders are the elected officials closest to the people they serve and have the most direct contact with the citizens who elect them; and

WHEREAS, the City Council of the City of Shasta Lake believes openness in government proceedings at all levels makes for the credibility and accountability that our citizens expect and deserve; and

WHEREAS, in support of these ideals, March 14th through March 20th, 2010 is designated as “Sunshine Week.

NOW, THEREFORE, BE IT RESOLVED that the City of Shasta Lake City Council affirms their commitment to open government, and proclaims March 14th through March 20th, 2010 as “Sunshine Week.”

_____________________________
GREG WATKINS, Mayor
PROCLAMATION OF THE CITY OF SHASTA LAKE DECLARING THE MONTH OF MARCH 2010 AS “WOMEN’S HISTORY MONTH”

WHEREAS, women of every race, class, and ethnic background have made historic contributions to the growth and strength of our Nation in countless recorded and unrecorded ways; and

WHEREAS, American women have played and continue to play a critical economic, cultural, and social role in every sphere of the life of the Nation by constituting a significant portion of the labor force working inside and outside of the home; and

WHEREAS, American women have played a unique role throughout the history of the Nation by providing the majority of the volunteer labor force of the Nation; and

WHEREAS, American women were particularly important in the establishment of early charitable, philanthropic, and cultural institutions in our Nation; and

WHEREAS, American women of every race, class, and ethnic background served as early leaders in the forefront of every major progressive social change movement; and

WHEREAS, American women have been leaders, not only in securing their own rights of suffrage and equal opportunity, but also in the abolitionist movement, the emancipation movement, the industrial labor movement, the civil rights movement, and other movements, especially the peace movement, which create a more fair and just society for all; and

WHEREAS, despite these contributions, the role of American women in history has been consistently overlooked and undervalued, in the literature, teaching and study of American history.

NOW THEREFORE, BE IT RESOLVED that the Shasta Lake City Council proclaims March 2010 as “Women’s History Month.”

GREG WATKINS, Mayor
AGENDA ITEM
City Council Meeting

TO: Carol Martin, City Manager
FROM: Carla L. Thompson, AICP, Development Services Director
DATE: February 24, 2010
SUBJECT: Knauf Insulation Air Quality Violations
FILE: K-050-126-035

RECOMMENDATION:

Receive report regarding violations of Knauf Insulation’s Air Quality permits. Representatives from Knauf: Iain James, Director of Operations, and Randall Peterson, Environmental Manager, will attend the City Council meeting to answer questions and to further discuss their Ecos® Technology, a new formaldehyde-free binder technology, based on renewable materials instead of petro-based chemicals.

BACKGROUND:

At the February 16, 2010, City Council meeting, Eric Cassano addressed Council regarding violations of Knauf Insulation’s air quality permits. Mr. Cassano also stated Knauf was applying for a variance.

Staff contacted Shasta County Air Quality Management District (AQMD) and received copies of the two most recent violations (May 29, 2009, and November 6, 2008), and the staff reports for the variance, which are attached. The November 8, 2008, violation was issued because initial source sampling and testing required for the installation of the Regenerative Thermal Oxidizer had not been completed. The May 29, 2009, violation was due to an exceedence of PM_{10} emissions from the furnace stack.

Also attached is a Memorandum from John Kenny, City Attorney, dated January 31, 2003, regarding an air quality violation that was identified at that time. The memorandum addresses the timing of enforcement action by the City for air quality violations.

Mitigation Monitoring

City Council certified the EIR, adopted the findings of fact and statement of overriding considerations and approved Conditional Use Permit 96-07 and the Mitigation Monitoring Plan (MMP) for the Knauf facility on November 5, 1997.

The California Environmental Quality Act, Section 21081.6, requires public agencies to adopt a
monitoring program of mitigation measures and ensure their enforceability when adopting a mitigated negative declaration or certifying an EIR. The required MMP is included as Appendix B to the Environmental Impact Report prepared for the Knauf facility.

The MMP states: “The City will be responsible for monitoring the implementation of most of the mitigation measures. The exception is for certain mitigation provisions that must be monitored by the Shasta County Air Quality Management District.”

The MMP identifies each significant impact identified in the EIR, associated mitigation measures, the corresponding monitoring and reporting requirement, and responsible party for ensuring implementation of the mitigation and monitoring effort.

Item 2 of the MMP covers air quality impacts during operation of the Knauf facility. The MMP assigns the responsibility of mitigation monitoring for air quality solely to the Shasta County Air Quality Management District. A copy of this section of the MMP is attached.

**Conditional Use Permit - Conditions Related to Air Quality**

**Prior to Commencement of Operations**

3.5. The Permittee shall secure emissions offsets at a ratio of 1.2:1 for direct PM$_{10}$ emissions exceeding 25 tons per year. The method for achieving these offsets shall be paving roads to achieve an equivalent offset as detailed in the City's roadway analysis in Appendix D of the EIR. All paved roads shall be within approximately 2 miles of the Project and cannot be Project associated. The offsets must be approved in writing by both the City and the AQMD and the written approval timely lodged in the City's Centralized Data Repository pursuant to section 1.7.


3.7. The Permittee shall mitigate NO$_X$ and ROG emissions by one of the following methods:

3.7a. Implementing feasible Level A and Level B BAMMs that are calculated to reduce NO$_X$ and ROG emissions below the Level A threshold of 25 pounds per day.

3.7b. Identifying and securing emission offsets to the Level B threshold and implementing Level A BAMMs to achieve the Level A threshold of 25 pounds per day.

3.7c. Identifying and securing NO$_X$ and ROG offsets at a 1:1 ratio to reduce emissions to achieve the Level A threshold of 25 pounds per day.

The Permittee's plan for achieving the NO$_X$ and ROG threshold level of 25 pounds per day shall be submitted in writing to the AQMD and the City. The City and the AQMD shall approve the NO$_X$ and ROG reduction plan in writing prior to occupancy and shall timely lodge the plan and the approval in the Central Data Repository pursuant to section 1.9.

3.8. The Permittee shall finance the purchase of two EPA approved PM$_{10}$ special purpose ambient air monitors and install such monitors at locations selected and approved by the City and the AQMD. All costs related to the installation and operation of the monitors shall be borne solely by the Permittee. Funding shall be sufficient to allow the monitors to be installed and operated by AQMD for up to one year prior to operation and for two years after the commencement of operation.

3.9. Design the project and install equipment that constitutes BACT, as determined by the Shasta County AQMD. At a minimum, include electric burner with baghouse, low NO$_X$
burners, wet electro-static precipitator, wet venturi scrubbers, thermal oxidizers, water washing and settling chamber, and a baghouse.

**Throughout Operation of the Project**

3.14. The Permittee shall conduct source testing for all significant pollutants as required by the AQMD permit. In the event the testing demonstrates noncompliance with applicable standards, the testing shall be conducted more frequently as required by the AQMD until the testing indicates that standards for all significant pollutants are being achieved by the Permittee. All testing results must be submitted to Shasta County AQMD as required by the AQMD. Test results shall be available to the public pursuant to section 1.9 and continued violations may be subject to permit revocation or modification pursuant to the provisions of section 1.15.

3.15. If the Permittee’s pollution control technology becomes inoperative or substantially impaired, Permittee shall (1) immediately cease operations and (2) repair the pollution control technology to its prior efficiency before restarting operations. In the event of a major malfunction of air pollution control devices, the plant will be shut down within 15 minutes of such a malfunction.

Separate permits issued by AQMD include additional requirements (i.e., Permits to Operate and Title V Operating Permit).

**Enforcement**

The CUP outlines procedures for addressing violations of the Use Permit as follows:

1.15 **Enforcement, Modification, Suspension, and Revocation**

The City shall enforce, modify, suspend or revoke this CUP only in accordance with this condition. This condition (1.15) represents the sole interpretation of the City's Zoning Code regarding enforcement, modification, suspension and revocation.

1.15.1 If the Development Services Director or his/her equivalent determines that the Permittee has failed to comply substantially with the conditions set forth in the Conditional Use Permit, the Development Services Director or his/her equivalent shall provide by certified mail to the Permittee, a notice of the violation of the Conditional Use Permit. Such notice shall state with specificity the location, place, time and description of such violation, and a reasonable time period within which the violation must be cured by Permittee. Concurrent with the City's notice to Permittee, the City may provide copies of such notice to all agencies with jurisdiction over the alleged violation, and place a copy of the violation in the central data repository.

1.15.2 If, after conclusion of the time specified in the notice, the Permittee has not cured the alleged violation or set forth a reasonable course of action to cure the violation, then the Development Services Director or his/her equivalent shall refer the matter to the Planning Commission for permit enforcement, modification, suspension, revocation or any other action it deems appropriate. In scheduling the Planning Commission hearing under this section, the Development Services Director or his/her equivalent may notify all local, State or Federal agencies with jurisdiction over the subject of the alleged violation and, to the extent feasible, shall coordinate any ongoing proceedings of the City of Shasta Lake regarding violations by the Permittee to occur after the conclusion of any proceedings before other local, State or Federal agencies.

1.15.3 If the Development Services Director or his/her equivalent determines to proceed with enforcement, modification, suspension, or revocation of the Conditional Use Permit, the Development Services Director or his/her equivalent shall give at least sixty (60) days notice to
Permittee and such other public notices as required by law of the Development Services Director or his/her equivalent intention to submit the enforcement, modification, suspension or revocation to the Planning Commission. The notice to the Permittee shall contain, at a minimum, the following information:

1. The time and place of the hearing;

2. A statement as to the reasons why the Planning Commission should enforce, modify, suspend or revoke the Conditional Use Permit;

3. A statement regarding any concurrent proceedings before local, State or Federal agencies and if the Development Services Director has decided it is necessary for the Planning Commission to proceed prior to conclusion of such concurrent proceedings, the reason for such conclusion;

4. Any proposed modification to the Conditional Use Permit; and

5. Any other information that the Development Services Director or his/her equivalent considers necessary or desirable to inform Permittee, the Planning Commission and the public of the nature of the hearing.

1.15.4 Any action by the Planning Commission shall be documented by written findings. In the event the Planning Commission chooses to enforce, modify, suspend or revoke the Conditional Use Permit, the Commission must specifically find that such action is necessary because prior efforts to compel Permittee to comply with the Conditional Use Permit have failed and Permittee has failed to demonstrate, to the Planning Commission's satisfaction, either (1) the inability of Permittee to comply, despite good faith efforts, or the willingness or ability to comply with the terms and conditions of Conditional Use Permit. In the event that another local, State or Federal agency has jurisdiction over an alleged violation, and is proceeding independently with hearings regarding modification, revocation or suspension of a local, State or Federal permit and those proceedings have concluded without suspension, enforcement, modification, or revocation, then the Planning Commission shall state with specificity why they believe such decision to be inadequate. The Commission shall make similar findings in the event that the Commission orders the Permittee to comply with the Conditional Use Permit under more stringent terms than ordered by another local, State or Federal agency.

1.16 Appeals

1.16.1 Any interpretation, decision, or determination by the Development Services Director or his/her equivalent regarding this CUP may be appealed by any party to the Planning Commission. Any Planning Commission determination regarding this CUP may be appealed to the City Council in the same manner as other determinations or CUP applications are appealable. The effect of the decision being appealed shall be stayed during the pendency of the appeal. The Planning Commission and upon appeal, the City Council, shall conduct a public hearing on any appeal. The cost of any appeal shall be paid by the appellant. All equitable remedies available to the Permittee to challenge a final determination of the City are retained by the Permittee.

1.16.2 The final decision of the City may be challenged by the Permittee, the public, or another agency in a court of proper jurisdiction. In the event that the City's final decision revokes, suspends, or modifies this CUP, the effect of that decision shall be stayed until a final determination is rendered by the Court(s); however, nothing in this section shall be construed to prevent a court of proper jurisdiction from enjoining the operation of the facility in order to prevent any threat to the health and/or safety of the public in accordance with the standards established under California law for the issuance of injunctions.
**Variance Request**

On February 18, 2010, the Air Quality Management District Hearing Board considered and approved variance request 09-V-01 to allow Knauf the continued production of insulation with the Regenerative Thermal Oxidizer (RTO) bypassed for emission testing to quantify emissions from the main stack. The variance would also allow Knauf to produce insulation with the RTO bypassed and to operate the scrubbers with a reduced pressure differential across the wet scrubbers for testing. The Variance request is for a maximum period of 12 hours per test.

If the results of the emission testing are favorable, Knauf may petition the EPA Region IX and the Air Quality Management District to modify the Permits to operate the facility without the RTO, to reduce the emissions from the combustion of natural gas, and lower the pressure differential across the scrubbers.

A copy of the Hearing Board’s Order and staff reports for each of these items is attached.

**Use Permit Amendment**

If Knauf decides to request a modification to their AQMD permit(s), the City would review the application to determine compliance with the Conditional Use Permit. For example, in 2002 Knauf applied to AQMD to amend their permit to increase the NO\textsubscript{X} emission limit for the main stack and reallocate emissions for PM\textsubscript{10} and NO\textsubscript{X}. The City reviewed the Supplemental Environmental Impact Report prepared by Shasta County and adopted Resolution CC 05-08 (see attached staff report and Resolution) approving Knauf’s plan for securing NO\textsubscript{X} offsets as an appropriate means to mitigate in order to achieve the established threshold of 25 pounds per day.

Section 1.20 of the CUP states:

**Conditional Use Permit Amendments**

Proposed amendments to the Conditional Use Permit requested by Permittee shall be submitted in writing to the Development Services Director or his/her equivalent. Within ten (10) days of submitting such an application, the Development Services Director or his/her equivalent shall determine whether the requested amendment is either a major amendment or a minor amendment.

Minor amendments are those amendments to the design, construction, or operation of the Project that either (1) do not result in an appreciable increase in environmental impact or (2) which may be necessary to comply with requirements or regulations of other governmental agencies. All other amendments shall be considered major amendments by the Development Services Director or his/her equivalent.

Minor amendments shall be considered ministerial actions and shall be processed by the Development Services Director or his/her equivalent accordingly. Major amendments shall be processed in accordance with applicable requirements of the State of California and City of Shasta Lake, including environmental review if applicable, and notice and hearing. All amendments, whether major or minor shall be available in the City’s Central Data Repository.

Memorandum from Carla L. Thompson, Development Services Director, to Gerry Cupp, City Manager, City Council Staff Report Regarding Request by Knauf Insulation Regarding Emission Reduction Credits for Oxides of Nitrogen (NO$_x$), January 25, 2005.

Shasta County Air Quality Management District Notice of Violation, November 6, 2008.

Letter from Russ Mull, Shasta County Air Pollution Control Officer, to Iain James, Director of Operations, Knauf Insulation, GmbH, *Violation #09-NV-03: Exceedence of Periodic Emission Testing Requirements*, February 17, 2009.

Letter from Russ Mull, Shasta County Air Pollution Control Officer, to Iain James, Director of Operations, Knauf Insulation, GmbH, Acknowledgement of Receipt of $2,000 Settlement Fee, March 3, 2009.

Letter from Stephen R. Aldridge, Manager Environmental Health and Safety, Knauf Insulation, to Ross Bell, Shasta County Air Pollution Control Officer, *2009 Variance (08-V-04) RTO Non-Operational test Results for Manufacturing Line #641*, May 12, 2009.

Letter from Stephen R. Aldridge, Manager Environmental Health and Safety, Knauf Insulation, to Ross Bell, Shasta County Air Pollution Control Officer, *2009 Operating Permit Compliance Test Results for Manufacturing and Furnace Line #641*, May 27, 2009.

Shasta County Air Quality Management District Notice of Violation (09-NV-17), May 29, 2009.

Letter from Russ Mull, Shasta County Air Pollution Control Officer, to Iain James, Director of Operations, Knauf Insulation, GmbH, *Violation #09-NV-17: Exceedence of Periodic Emission Testing Requirements*, June 18, 2009.

Letter from Russ Mull, Shasta County Air Pollution Control Officer, to Iain James, Director of Operations, Knauf Insulation, GmbH, Acknowledgement of Receipt of $10,000 Settlement Fee, July 7, 2009.

City of Shasta Lake Mitigation Monitoring Plan, Knauf Fiber Glass Manufacturing Facility, Sheets 2 and 3 of 17, Air Quality, Impacts During Operation.

Agenda, Shasta County Air Quality Management District Hearing Board, Thursday, February 18, 2010.


Shasta County AQMD Hearing Board Order Regarding Variance 09-V-01, February 18, 2010.
MEMORANDUM

To: Carla Thompson, Development Services Director
   CITY OF SHASTA LAKE

From: John Sullivan Kenny, City Attorney

Date: January 31, 2003

Re: Knauf Use Permit

Concern has arisen with respect to Knauf violating the terms of its Use Permit. The question is what can or should be done by the City regarding violation of the permit.

General Background:
The Use Permit (Section 3.7) requires that Knauf not exceed NOx and ROG emissions of 25 pounds per day. The permit also requires Knauf to “conduct source testing for all significant pollutants as required by the AQMD Permit” (Section 3.14). The test results are submitted to the Shasta County Air Quality Management District (“District”). It is reported that Knauf’s test results show that Knauf is exceeding its NOx and ROG permitted emissions. This would constitute a violation of the Use Permit and the District permit. The air quality permit is enforced by the District or, in some cases, the federal government and will not be addressed here.

A Use Permit creates a vested property right in the holder of the permit. (Malibu Mins. Recreation, Inc. v. County of Los Angeles (1998) 67 Cal.App.4th 359.) The City may have the authority to revoke a Use Permit if the permittee either fails to comply with a condition of the permit or there otherwise exists a compelling public necessity justifying revocation. (Sunset Amusement Co. v. Board of Police Commissioners (1972) 7 Cal.3rd 64, 80.) The City also has the right to amend the conditions of a permit if the grounds which would justify revocation can be corrected or cured by an amendment. (Garva Vanti v. Fairfax Planning Comm. (1971) 22 Cal.3rd 145, 148-149.) The actions taken concerning the revocation or modification of a Use Permit are subject to judicial review. Generally courts will not uphold revocation of a permit if there are other, less oppressive means to correct a problem. (O’Hagen v. Board of Administrative Adjustment (1971) 19
In modifying or revoking a Use Permit, the City must justify the means it used to correct the problem.

The Use Permit:
Section 15.15 of the Use Permit addresses enforcement, modification, suspension, and revocation. Section 1.15.1 provides that the Development Services Director ("Director") shall notify the permittee of a violation, describe the violation and provide a reasonable time for the permittee to cure the violation. The Director is also to send notices to all agencies having jurisdiction over the violation. In this case, the District already has notice of the violation. The City received the information from the District.

Section 1.15.2 provides that if the violation is not cured within the time provided in the notice, the Director is to refer the matter to the Planning Commission for enforcement, modification, suspension, revocation or other action as may be appropriate. In scheduling a hearing before the Planning Commission, the Director is to coordinate the City activities to occur after the conclusion of proceedings before other agencies such as the District.

According to Section 1.15.3, if the Director determines to refer the matter to the Planning Commission prior to the conclusion of concurrent proceedings before other agencies, the Director is to provide a statement justifying this action.

The Violation:
Section 3.7 of the Use Permit sets forth the NOx and ROG emission levels permitted. It also establishes three methods by which NOx and ROG emissions may be mitigated. This is to be done prior to commencement of operations. I believe the same would be allowed to address problems that developed after operations commenced. The City and District would have to approve any new NOx or ROG reduction plan. Approval of a plan could not, however, be unreasonably denied.

Section 1.15.4 states that any action taken by the City must be supported by written findings addressing the permittee’s willingness, good faith efforts and ability to meet the terms of the Use Permit. In cases where state or federal agencies are proceeding independently “and those proceedings have concluded without suspension, enforcement, modification or revocation” the City must state why it feels the decisions of the other agencies were inadequate.

Timing of Enforcement Action:
The question is whether you should begin enforcement action at this time. I believe such action would be untimely for several reasons.

You do not have the information necessary to meet the requirements of Use Permit § 1.15.3. This requires you to provide a statement of reasons regarding enforcement, modification, suspension or revocation of the Use Permit. What action would you recommend and why? You need to recommend an action. Before the City acts, it must be assured the recommendations are reasonable, protective of the public and not unduly
burdensome on the permittee. The Use Permit itself provides methods for mitigation. If you are to recommend amending the conditions of the Use Permit, what recommendations could you make? If you were to recommend revocation, do you have sufficient information to determine that no mitigation measures are feasible?

The terms of the Use Permit suggests that the City should not be acting prior to state or federal agencies with concurrent jurisdiction. Presumably this is because these agencies may have superior knowledge and expertise. If the City acts prior to agencies with concurrent jurisdiction, it must justify this action. What is the justification?

Upon completion of proceedings by agencies with concurrent jurisdiction, the City can take action if the City is dissatisfied with actions of those agencies but the City must specifically state why it believes the decisions of the other agencies were inadequate.

Absent information capable of meeting the requirements of the law and the Use Permit conditions, I believe action by the City at this time would be premature.
TO: Gerry Cupp, City Manager

FROM: Carla L. Thompson, Development Services Director

DATE: January 25, 2005

SUBJECT: Request by Knauf Insulation Regarding Emission Reduction Credits for Oxides of Nitrogen (NO\textsubscript{x})

Background Information

Use Permit 96-07 was approved by the Shasta Lake City Council on November 5, 1997, to allow construction and operation of the Knauf fiberglass facility. Condition 3.7, states:

The Permittee shall mitigate NO\textsubscript{x} and ROG emissions by one of the following methods:

- 3.7a. Implementing feasible Level A and Level B BAMMs that are calculated to reduce NO\textsubscript{x} and ROG emissions below the Level A threshold of 25 pounds per day.

- 3.7b. Identifying and securing emission offsets to the Level B threshold and implementing Level A BAMMs to achieve the Level A threshold of 25 pounds per day.

- 3.7c. Identifying and securing NO\textsubscript{x} and ROG offsets at a 1:1 ratio to reduce emissions to achieve the Level A threshold of 25 pounds per day.

The Permittee's plan for achieving the NO\textsubscript{x} and ROG threshold level of 25 pounds per day shall be submitted in writing to the AQMD and the City. The City and the AQMD shall approve the NO\textsubscript{x} and ROG reduction plan in writing prior to occupancy and shall timely lodge the plan and the approval in the Central Data Repository pursuant to section 1.9.

Prior to commencement of operations in 2001, the County verified that emission reduction credits for NO\textsubscript{x} were purchased by Knauf. Certificate 01-ERC-02 provides a NO\textsubscript{x} emission offset of 7.27 tons per year; Certificate 01-ERC-04 provides a NO\textsubscript{x} emission offset of 7.6 tons per year; and Certificate 01-ERC-06 provides a NO\textsubscript{x} emission offset of 8.74 tons per year, for a total of 23.61 tons per year. Knauf also implemented Standard Mitigation Measures (SMMs) and Best Available Mitigation Measures (BAMMs) in the amount of 2.83 tons/yr. as identified in the Shasta Lake Air Quality Element of the General Plan in order to reduce emissions below the threshold of 25 pounds per day.
Current Situation

Emission testing for the Knauf facility conducted on April 3, 2002, September 11, 2002, and December 12, 2002, indicated that estimates for emissions of oxides of nitrogen (NO\textsubscript{X}) from the Fiberglass Forming/Curing/Cooling Section (#97-PO-28) and emissions of particulate matter from the Glass Melting Furnace (#97-PO-27) proposed in the original PSD/ATC permit were underestimated.

Knauf Request

Subsequently, Knauf proposed to increase the NO\textsubscript{X} emission limit for the Main Stack from 5.66 lb/hr to 22.6 lb/hr, which is equivalent to an increase in maximum annual emissions from 24.8 tons/yr to 99 tons/yr. The permit drafted by AQMD establishes an emissions limit for NO\textsubscript{X} of 16.5 lb/hr, or 72.27 tons/yr.

In addition, Knauf proposed to reallocate 0.9 lb/hr PM\textsubscript{10} from the Main Stack to the Furnace Stack, resulting in an increase in the Furnace Stack emissions and a corresponding decrease in permitted emissions from the Main Stack. Knauf also proposed to decrease the particulate matter emission limit for the Main Stack from 28.4 lb/hr to 21.6 lb/hr, resulting in a plantwide PM\textsubscript{10} emission level limit of 99 tons/yr. The original limit was 124.8 tons/yr.

The Supplemental Environmental Impact Report addressing these adjustments was certified by the Shasta County Air Quality Management District on September 21, 2004. The Certified SEIR was provided to the Air Quality Management District for drafting of modified permits.

Required Action by the City

Since revisions to PM\textsubscript{10} emissions are a reduction from original levels and are in compliance with the City's Air Quality Element and the Use Permit, no action by the City is required in regard to the PM\textsubscript{10} reallocations.

As required by the Use Permit, the City is required to approve Knauf's plan for achieving the NO\textsubscript{X} threshold level of 25 pounds per day. Knauf proposes to achieve this threshold as identified in AQMD Permit to Operate #97-PO-28, Condition 14, which states:

The owner/operator shall relinquish to the Shasta County Air Quality Management District oxides of nitrogen emission reduction credits for voiding in the amount of 47.47 tons. This one-time submittal of oxides of nitrogen emission reduction credits is to satisfy offsetting requirements contained in Condition #3.7c of the City of Shasta Lake Conditional Use Permit.

The AQMD Permit to Operate establishes an emissions level for NO\textsubscript{X} of 72.27 tons/yr. Pursuant to the Use Permit, Knauf must mitigate for NO\textsubscript{X} emissions over 25 pounds per day (4.56 tons/yr.).

Therefore, Knauf is required to provide offsets for a total of 67.71 tons/yr, or an additional 41.27 tons/yr. (67.71 tons/yr. – 26.44 tons/yr. previously mitigated = 41.27 tons/yr.) The AQMD Permit to Operate requires relinquishment of 47.47 tons of emission reduction credits, which is higher than the City's requirement to achieve the 25 lb/day threshold.
Staff Recommendation

Staff recommends that City Council approve the attached Resolution approving proposed emission reduction credits in the amount of 47.47 tons as mitigation for NOX emissions. The Final Supplemental Environmental Impact Report has been certified by the Shasta County Air Quality Management District, and securing NOX offsets is identified as an appropriate means to mitigate in order to achieve a threshold of 25 pound per day.
RESOLUTION CC 05-08

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHASTA LAKE APPROVING THE RELINQUISHMENT OF OXIDES OF NITROGEN EMISSION REDUCTION CREDITS AS MITIGATION FOR KNAUF INSULATION, GmbH

WHEREAS, on November 5, 1997, the City of Shasta Lake approved Use Permit 96-07 allowing construction and operation of the Knauf fiberglass facility; and

WHEREAS, the Use Permit requires Knauf to mitigate NOx emissions below a threshold of 25 pounds per day; and

WHEREAS, Knauf has proposed to increase the NOx emission limit for the main stack from 5.66 pounds per hour to 22.6 pounds per hour; and

WHEREAS, the Supplemental Environmental Impact Report addressing this adjustment was certified by the Shasta County Air Quality Management District on September 21, 2004; and

WHEREAS, Knauf has proposed to relinquish to the Shasta County Air Quality Management District oxides of nitrogen (NOx) reduction credits for voiding in the amount of 47.47 tons to satisfy offsetting requirements contained in Condition 3.7c of Use Permit 96-07; and

WHEREAS, Knauf’s proposal for mitigating NOx emissions is consistent with the mitigation options contained in the Use Permit.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Shasta Lake hereby approves the relinquishment to the Shasta County Air Quality Management District oxides of nitrogen emission reduction credits in the amount of 47.47 tons to satisfy offsetting requirements contained in Condition 3.7c of City of Shasta Lake Condition Use Permit UP 96-07.

PASSED, APPROVED AND ADOPTED this 1st day of February 2005 by the following vote.

AYES: DURYEE, FARR, HURLHEY, SINER, GOEKLER
NOES: NONE
ABSENT: NONE

DEAN GOEKLER, Mayor

ATTEST:

RAE MORROW, City Clerk
SHASTA COUNTY DEPARTMENT OF RESOURCE MANAGEMENT
AIR QUALITY MANAGEMENT DISTRICT
1855 PLACER STREET, SUITE 101, REDDING, CALIFORNIA 96001
(530) 225-5674

NOTICE OF VIOLATION

Violation Date: November 6, 2008

Name/Source:
Iain James, Director of Operations
Knauf Insulation GmbH
3100 Ashby Road
Shasta Lake, California 96019

Phone:
(530) 275-9665

Location of Violation:
Knauf Insulation GmbH, 3100 Ashby Road, Shasta Lake, CA 96019
(AP# 064-150-072/77-79)

Pertinent District Permit Condition: Permit # 97-PO-28

36. Periodic emission testing shall be required pursuant to District Rule 2:11.a.3.(f). Annual emission testing for ammonia and particulate matter emissions from the main stack shall be required in accordance with Bay Area AQMD Method ST-1B and EPA Method 5E, respectively, or subsequently approved alternate methods. Results of all emission testing shall be forwarded to the District for compliance verification. An emission testing protocol detailing the methods of sampling and analysis shall be submitted to the District for approval 30 days prior to any test required under the above rule.

c) The following supplemental emission testing will be required to determine compliance with the installation of the Regenerative Thermal Oxidizer:

| Initial Sampling* | 180-210 days after Initial Sampling |
| PM10, NOx, VOC | PM10, NOx, VOC |

| * within 45 days of initial startup |

Pertinent Title V Operating Permit Condition: Permit # 03-VP-01

C16. Periodic emission testing shall be required pursuant to District Rule 2:11.a.3.(f), except for ammonia, NOx, and particulate matter. The Permittee shall conduct the ammonia, NOx, and particulate matter testing annually. Performance testing shall be performed within 30 days after the anniversary of the most recent performance test. The Permittee shall conduct the performance test (as described in 40 CFR 60.8) for the emission limitations that apply to the Main Stack. The Permittee shall retain records of all performance tests measurements.

c) The following supplemental emission testing will be required to determine compliance with the installation of the Regenerative Thermal Oxidizer:

| Initial Sampling* | 180-210 days after Initial Sampling |
| PM10, NOx, VOC | PM10, NOx, VOC |

| * within 45 days of initial startup |
Explanation of Violation:

On November 6, 2008, 210 days had elapsed since Knauf Insulation conducted initial source sampling and testing required for the installation of the Regenerative Thermal Oxidizer.

Issued by:

Russ Mull
Air Pollution Control Officer
February 17, 2009

Issued to:

Iain James, Director of Operations
Knauf Insulation, GmbH
3100 Ashby Road
Shasta Lake, California 96019
February 17, 2009

Iain James, Director of Operations  
Knauf Insulation, GmbH  
3100 Ashby Road  
Shasta Lake, California 96019

Dear Mr. James:

VIOLATION #09-NV-03: EXCEEDANCE OF PERIODIC EMISSION TESTING REQUIREMENTS PER PERMIT TO OPERATE #97-PO-28b CONDITION 36c and TITLE V OPERATING PERMIT #03-VP-01 CONDITION C16.e, KNAUF INSULATION, GMBH, SHASTA LAKE, CA, (AP# 064-150-072/77-79)

The above-referenced violation was documented by Shasta County Air Quality Management District (District) staff. As the legal owner of the property, and holder of District issued Permit to Operate #97-PO-27, you are responsible for conducting activities in compliance with these Permits as well as all other District rules and regulations. Knauf Insulation, GmbH (Knauf) is hereby charged with one violation of Condition #36 of District Permit to Operate #97-PO-28b and one violation of Condition C16 of Title V Permit to Operate #03-VP-01.

California Health and Safety Code allows prosecution either as a criminal action under Section 42400 (General Violations, Criminal) or as a civil action under Section 42402 (General Violations, Civil). Penalties (fines) are specified by these statutes according to the degree of negligence and willful intent. If the violation is pursued as a criminal matter, the code specifies that such a violation is a misdemeanor and is subject to a fine or imprisonment in the county jail for not more than nine months, or both. Each day of violation may subject you to a separate penalty.

IF YOU HAVE ANY QUESTIONS CONCERNING PENALTIES OR PROCEDURES, YOU SHOULD SEEK THE ADVICE OF AN ATTORNEY.

In order to avoid the time and expense of litigation that would accrue to both parties, the District is willing to settle this matter for the sum of $2,000 in accordance with a Mutual Settlement Policy approved by the Air Pollution Control Board if you meet the following conditions:

1. Submit all data relative to the supplemental RTO source testing conducted on the main stack by June 1, 2009.
2. Remit the above-referenced settlement fee to the Shasta County Air Quality Management District within 15 days of receipt of this letter.

This settlement shall preclude the District from seeking additional penalties with regard to this alleged violation. Although evidence regarding alleged violations may be presented in any judicial or administrative proceeding where pertinent, such settlement shall not constitute an admission of any violative conduct nor shall it be considered such an admission in any judicial or administrative proceeding.

If you wish to settle the matter on this basis, please sign and return the enclosed copy of this letter along with a check for 2,000, payable to Shasta County AQMD and the source test data. The District will execute a written release from liability, and the matter will be closed without further action.

You may call Ross Bell, Air Quality District Manager, at 225-5674 to request an office conference if you wish to discuss this matter. If we do not hear from you within fifteen (15) days of the date of this letter, we will assume that you are not interested in resolving this matter as outlined, and the District will initiate proceedings in the appropriate court.

Sincerely,

[Signature]

Russ Mull
Air Pollution Control Officer

[Signature]

I wish to settle this matter as outlined. Here is my check for $2,000 and the source test data.

[Iain James]

Name

[Signature]

2/23/09

Date
March 3, 2009

Iain James, Director of Operations
Knauf Insulation, GmbH
3100 Ashby Road
Shasta Lake, California 96019

Dear Mr. James:

NOTICE OF VIOLATION 09-NV-03

The Shasta County Air Quality Management District (District) hereby acknowledges receipt of your check (#139825) in the amount of $2,000 (receipt #R0900566) as the full payment of the settlement fee for the above-referenced matter.

The District shall not pursue any legal action concerning this matter. This settlement precludes the District from seeking additional penalties with regard to this violation. However, evidence concerning this violation may be presented in any judicial or variance proceeding where it is pertinent. All future activities associated with Permit to Operate #97-PO-28b and Title V Permit to Operate #03-VP-01 must meet the conditions of the permits and comply with District Rules and Regulations.

Thank you for your cooperation in bringing this matter to a close.

Sincerely,

Russ Mull
Air Pollution Control Officer

rm/mgb
Re: 2009 Variance (Var#08-V-04) RTO Non-Operational Test Results for Manufacturing Line #641

Dear Mr. Ross Bell,

Please find attached one copy of the recent emission test results for Knauf Insulation manufacturing line #641 with the RTO not in operation. The Avogadro Group performed the tests on March 30, 2009.

Our allowable emission limits and tested emission rates in pounds per hour are as follows:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Emission Rate (lb / hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Main Stack Tested</td>
</tr>
<tr>
<td>Total Particulate</td>
<td>8.179</td>
</tr>
<tr>
<td>Nitrogen oxide</td>
<td>1.24</td>
</tr>
<tr>
<td>Sulfur dioxide</td>
<td>- - -</td>
</tr>
<tr>
<td>Carbon monoxide</td>
<td>14.13</td>
</tr>
<tr>
<td>Total Non-Methane Hydrocarbons</td>
<td>4.18</td>
</tr>
<tr>
<td>Phenol</td>
<td>- - -</td>
</tr>
<tr>
<td>Formaldehyde</td>
<td>- - -</td>
</tr>
<tr>
<td>Fluoride</td>
<td>- - -</td>
</tr>
<tr>
<td>Ammonia</td>
<td>8.83</td>
</tr>
<tr>
<td>Ethanol</td>
<td>0.3836</td>
</tr>
</tbody>
</table>

- - - Parameter not required to be tested.

The process data collected during the individual tests with regard to the oven incinerator temperatures, the water flow rates and pressure drops on the forming scrubbers, the wet ESP parameters, and the opacity readings from the forming are on file at the Shasta Lake facility.
As the data suggests, eliminating the requirement of maintaining a temperature of 1400 degree Fahrenheit in the Regenerative Thermal Oxidizer (RTO) does not have a negative impact on the emission rates or the environment. Based on this information, Knauf Insulation will evaluate the advantages and disadvantages of not operating the RTO and determine if a permit modification application will be submitted to the AQMD for consideration.

If there are any questions, please contact me at your convenience at 1-800-825-4434 ext. 8408 or steve.aldridge@us.knaufinsulation.com.

Respectfully submitted,
I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of knowledge and belief, true, accurate, and complete. I am aware that are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Stephen R. Aldridge  
Knauf Insulation, Manager Environmental Health and Safety

Cc: Iain James, Director Plant Operations, Shasta Lake, California

Enclosures:

One CD containing 2007 Emissions Compliance Test Report Submittal Confidential Business Information Packet
UPS Tracking Number:

May 27, 2009

Mr. Ross Bell
Air Pollution Control Officer
Shasta County Air Quality Management District
1855 Placer Street
Redding, CA 96001

Director, Air Division (Attn: AIR-5)
U.S. Environmental Protection Agency Region 9
75 Hawthorne Street
San Francisco, CA 94105-3901

Re: 2009 Operating Permit Compliance Test Results for Manufacturing and Furnace Line #641

Dear Mr. Ross Bell and Director, Air Division,

Please find attached one copy of the recent compliance tests results for Knauf Insulation manufacturing line #641. The Avogadro Group performed the tests on April 1-2, 2009.

Our allowable emission limits and tested emission rates in pounds per hour are as follows:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Main Stack Tested</th>
<th>Main Stack Allowable</th>
<th>Furnace Stack Tested</th>
<th>Furnace Allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Particulate</td>
<td>21.7</td>
<td>21.6</td>
<td>2.656</td>
<td>1.0</td>
</tr>
<tr>
<td>Total Particulate</td>
<td>6.387*</td>
<td>21.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nitrogen oxide</td>
<td>3.31</td>
<td>16.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sulfur dioxide</td>
<td>-</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carbon monoxide</td>
<td>11.83</td>
<td>22.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Methane Hydrocarbons</td>
<td>2.48</td>
<td>9.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Phenol</td>
<td>-</td>
<td>6.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Formaldehyde</td>
<td>-</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fluoride</td>
<td>-</td>
<td>0.625</td>
<td>-</td>
<td>0.625</td>
</tr>
<tr>
<td>Ammonia</td>
<td>8.2</td>
<td>36.0</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Three test average with obvious contamination in Test Run #1
* Two test average with Test Run #1 discarded
- - - Parameter not required to be tested.
The data generated demonstrates two areas of concern. The first area of concern is the collected data for the Main Stack total particulate emission rate. The tested average value is one-tenth of a pound over the allowable limit; however, upon further examination of the three individual test runs it is obvious that there was contamination in the front-half probe wash of test run #1. This contamination, most likely from the sampling probe tip coming into contact with the sampling port wall, caused the test run #1 front-half portion to be ten times the average pounds per hour of test run #2 and #3. This can be compared further with the testing that was conducted the day before for the RTO Variance #08-V-04, where the front-half portions of the test runs were 4.198, 6.084, and 5.580 with a test average of 5.271 pounds per hour. The RTO Variance tests were run under identical production conditions – same product and same production rate.

Based on the test run #1 front-half probe contamination and the supporting data from the March 31, 2009, testing, Knauf Insulation is requesting that the District allow the data from test run #1 to be discarded and that test runs #2 and #3 be utilized for the 2009 Main Stack total particulate emission rate average for compliance determination; which would be 6.387 pounds per hour. Alternatively, since the RTO Variance testing was conducted under compliance testing guidelines/requirements, Knauf would propose that the three test runs from March 31 and the two test runs from April 1 be averaged for the 2009 Main Stack total particulate emission rate average for compliance determination. The total particulate average for the combined (03/31 & 04/01) testing would be 7.4626 pounds per hour.

The second area of concern is the emission rate from the Furnace Stack. The emission data demonstrates that greater than 96% of the total emissions are in the back-half condensable aqueous portion. Knauf has been working to assess the potential causes for the increased back-half condensable portion, which appears to be almost entirely inorganic. Some of the possible changes since the last testing are that Knauf has been diligent in its efforts to increase the amount of post-consumer cullet in the batch mixture, and has successfully increased the total usage to 50% of the batch mixture. Other possibilities include the receipt and usage of approximately 100 tons of post-consumer cullet that was contaminated with fuel coke dust approximately 3-4 days before the testing occurred and the potential artifacts that are created in the back-half portion (aqueous impinger portion) / Method 202 procedure.

Additionally, the California Air Resources Board (CARB) has been working with the glass industry in the State as part of the AB 32 GHG reduction effort to quantify the current level of glass cullet usage. CARB has expressed a strong interest in maximizing cullet usage to take advantage of the lower energy required to melt cullet compared to virgin batch materials. This lower energy demand equates to lower GHG emissions at the point of electricity generation. Knauf utilizes a Cold Top glass melting furnace at the Shasta facility which is electrically fired.

Based on the furnace emission test results, Knauf will be rescheduling a retest as soon as all the potential variables are assessed that may be causing the elevated back-half portion,
including the test method. At this time, we are anticipating that the retest will take place within two-three weeks. AQMD and EPA Region 9 will be notified as soon as the schedule is set.

Unfortunately, the report submittal has been delayed due to the fact that the emissions report was not received from the testing company in a timely manner. In addition, once the results were known, Knauf has been actively assessing the potential causes and having the data quality checked again by the testing group. Knauf is working with the testing group to address and resolve the untimely delivery of the emission tests data and report.

The process data collected during the individual tests with regard to the oven incinerator temperatures, the water flow rates and pressure drops on the forming scrubbers, the wet ESP parameters, and the opacity readings from the forming and furnace stacks are on file at the Shasta Lake facility. Alarm points within the facility data acquisition system will be adjusted to comply with the parameter set-points established during the tests per NSPS (40 CFR 60 Subpart PPP).

If there are any questions, please contact me at your convenience at 1-800-825-4434 ext. 8408 or steve.aldridge@us.knaufinsulation.com.

Respectfully submitted,

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of knowledge and belief, true, accurate, and complete. I am aware that are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

[Signature]

Stephan R. Aldridge
Knauf Insulation, Manager Environmental Health and Safety

Cc: Iain James, Director Plant Operations, Shasta Lake, California

Enclosures:

One CD containing 2009 Emissions Compliance Test Report Submittal Confidential Business Information Packet
SHASTA COUNTY DEPARTMENT OF RESOURCE MANAGEMENT
AIR QUALITY MANAGEMENT DISTRICT
1855 PLACER STREET, SUITE 101, REDDING, CALIFORNIA 96001
(530) 225-5674

NOTICE OF VIOLATION
09-NV-17

Violation Date: May 29, 2009           Time:

Name/Source: Iain James, Director of Plant Operations
Knauf Insulation GmbH
3100 Ashby Road
Shasta Lake, California 96019

Phone: 275-9665

Location of Violation: Knauf Insulation GmbH, 3100 Ashby Road, Shasta Lake, CA 96019
(AP 064-150-072/77-79)

Pertinent Regulation: Permit 97-PO-27a, Condition 34:

34. Total particulate matter emissions from the stack of the glass melting furnace shall not exceed any of the following emission limitations:
   a. 1.0 pounds per hour
   b. 0.5 pounds per ton of glass pulled
   c. 4.4 tons per year

The total emissions of fluoride from the glass melting furnace baghouse exhaust shall not exceed 15 lbs/day (0.625 lbs/hr) per District Rule 2:1, Part 301.

   Permit 03-VP-01, Condition B2:

B2. PM10 emissions (filterable and condensable) from the Furnace Stack of the combined baghouse discharge exhausts from the glass melting furnace shall not exceed the following emission limitations:
   a. 0.67 lb/hr and 0.07 lb/ton of glass pulled, based on a 3-hour rolling average; and
   b. 2.9 tons per year, based on a 12-month rolling sum.

[NSR 4-4-4 SAC 03-01, Condition 22]
Explanation of Violation:

On May 29, 2009, the District received a source test report indicating a furnace stack PM10 emission rate of 2.656 pounds per hour from a test performed on April 2, 2009. The test results indicated an exceedance of the pounds per hour and tons per year limit contained in both permits.

The source test report and cover letter also detailed an abnormal particulate run on the Main Stack and the District does concur that this run (4-PM-1) is not indicative of actual emissions and that the two run average should be used for emission inventory and compliance determination.

Issued by:

Russ Mull
Air Pollution Control Officer
June 18, 2009

Issued to:

Iain James, Director of Plant Operations
Knauf Insulation, GmbH
3100 Ashby Road
Shasta Lake, California 96019
June 18, 2009

Iain James, Director of Plant Operations
Knauf Insulation GmbH
3100 Ashby Road
Shasta Lake, California 96019

Dear Mr. James:

VIOLATION 09-NV-17: EXCEEDANCE OF PERIODIC EMISSION TESTING REQUIREMENTS FOR PERMIT TO OPERATE 97-PO-27a and TITLE V OPERATING PERMIT 03-VP-01, KNAUF INSULATION GMBH, SHASTA LAKE, CA, (AP 064-150-072/77-79)

The above-referenced violations were documented in the report submitted by The Avogadro Group, LLC entitled “2009 Emission Compliance Test Report Knauf Insulation, GmbH Shasta Lake, California” dated May 13, 2009, and confirmed by Shasta County Air Quality Management District (District) staff. As the legal owner of the property, and holder of District issued Permit to Operate 97-PO-27, you are responsible for conducting activities in compliance with these Permits as well as all other District rules and regulations. Knauf Insulation, GmbH (Knauf) is hereby charged with one violation of Condition 34 of District Permit to Operate 97-PO-27a and one violation of Condition B2 of Title V Operating Permit 03-VP-01. The Notice of Violation is enclosed.

California Health and Safety Code allows prosecution either as a criminal action under Section 42400 (General Violations, Criminal) or as a civil action under Section 42402 (General Violations, Civil). Penalties (fines) are specified by these statutes according to the degree of negligence and willful intent. If the violation is pursued as a criminal matter, the code specifies that such a violation is a misdemeanor and is subject to a fine or imprisonment in the county jail for not more than nine months, or both. Each day of violation may subject you to a separate penalty.

IF YOU HAVE ANY QUESTIONS CONCERNING PENALTIES OR PROCEDURES, YOU SHOULD SEEK THE ADVICE OF AN ATTORNEY.

In order to avoid the time and expense of litigation that would accrue to both parties, the District is willing to settle this matter for the sum of $10,000 in accordance with a Mutual Settlement Policy approved by the Air Pollution Control Board if you meet the following conditions:

1. Submit a schedule to the district for retesting the furnace stack by July 10, 2009.
2. Remit the above-referenced settlement fee to the Shasta County Air Quality Management District within 15 days of receipt of this letter.

This settlement shall preclude the District from seeking additional penalties with regard to this alleged violation. Although evidence regarding alleged violations may be presented in any judicial or administrative proceeding where pertinent, such settlement shall not constitute an admission of any violative conduct nor shall it be considered such an admission in any judicial or administrative proceeding.

If you wish to settle the matter on this basis, please sign and return the enclosed copy of this letter along with a check for $10,000, payable to Shasta County AQMD and include the source test schedule. The District will execute a written release from liability, and the matter will be closed without further action.

You may call Ross Bell, Air Quality District Manager at 225-5674 to request an office conference if you wish to discuss this matter. If we do not hear from you within fifteen (15) days of the date of this letter, we will assume that you are not interested in resolving this matter as outlined, and the District will initiate proceedings in the appropriate court.

Sincerely,

Russ Mull
Air Pollution Control Officer

rm/mgb
enc.

I wish to settle this matter as outlined. Here is my check for $10,000 and the source test schedule.

[Signature]
Name

7/6/09
Date
July 7, 2009

Jain James, Director of Operations
Knauf Insulation GmbH
3100 Ashby Road
Shasta Lake, California 96019

Dear Mr. James:

NOTICE OF VIOLATION 09-NV-17

The Shasta County Air Quality Management District (District) hereby acknowledges receipt of your check (144781) in the amount of $10,000 (receipt R0901981) as the full payment of the settlement fee for the above-referenced matter.

The District shall not pursue any legal action concerning this matter. This settlement precludes the District from seeking additional penalties with regard to this violation. However, evidence concerning this violation may be presented in any judicial or variance proceeding where it is pertinent. All future activities associated with Permit to Operate 97-PO-27a and Title V Permit to Operate 03-VP-01 must meet the conditions of the permits and comply with District Rules and Regulations.

Thank you for your cooperation in bringing this matter to a close.

Sincerely,

Russ Mull
Air Pollution Control Officer

rm/mgb
<table>
<thead>
<tr>
<th>Impact</th>
<th>Mitigation</th>
<th>Mitigation Implementation</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>One-time</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Air Quality (continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Impacts During Operation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Significant impact on direct plant criteria pollutant emissions ($PM_{10}$) and ROG emissions from the project.</td>
<td>2a. Conduct periodic source testing determined by Shasta County AQMD. 2b. Secure emissions offsets at a ratio of 1.2:1 for direct $PM_{10}$ emissions exceeding 25 tons per year. 2c. Pave enough roads to achieve an equivalent offset as detailed in the City's roadway analysis in Appendix D. All paved roads would be within approximately 2 miles of the project and would not be associated with the project.</td>
<td>X</td>
<td>Throughout operation of the project</td>
</tr>
<tr>
<td>3. Significant impacts on direct criteria pollutant emissions (ROG).</td>
<td>3a. Conduct periodic source testing for all significant pollutants as determined by Shasta County AQMD. 3b. Secure emissions offsets at a ratio of 1.2:1 for direct ROG emissions exceeding 25 tons per year. Offsets could either come from banked credits of from removed emissions from other sources.</td>
<td>X</td>
<td>Throughout operation of the project</td>
</tr>
<tr>
<td>4. Significant impact on total plant criteria pollutant emissions (ROG) over the level “A” thresholds.</td>
<td>4a. Implement levels “A” BAMMs (specified in Section 4.2) to reduce emissions of $NO_x$ below the level “A” thresholds. 4b. Secure additional ROG offsets, acceptable to the AQMD, at a 1:1 ratio achieve the level “A” BAMMs.</td>
<td>X</td>
<td>Throughout operation of the project</td>
</tr>
<tr>
<td>5. Significant impacts on total plant criteria pollutant emissions ($NO_x$) over the level “A” and level “B” thresholds.</td>
<td>5a. Implement Level “A” BAMMs (specified in Section 4.2) to reduce $NO_x$ emissions to a level the Level “A” threshold, or.</td>
<td>X</td>
<td>Throughout operation of the project</td>
</tr>
<tr>
<td>Impact</td>
<td>Mitigation</td>
<td>Mitigation Implementation</td>
<td>Responsibility</td>
</tr>
<tr>
<td>--------</td>
<td>------------</td>
<td>---------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>One-time</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Air Quality (continued)</td>
<td>Secure additional NOx offsets, acceptable to the AQMD, at a 1:1 ratio to reduce emissions to the Level “B” threshold and implement the Level “A” BAMMs to further reduce emissions to the Level “A” threshold.</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>6. Significant impacts on direct plant pollutant ground-level concentrations (PM10)</td>
<td>No additional mitigation measures available beyond those described in Mitigation Measure 2.</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Water Resources**

**Groundwater**

**Impacts During Construction**

1. Significant impact at the project site from an accidental spill or leak of fuels or chemicals.
   1a. Prepare a Stormwater Pollution Prevention Plan (SWPPP) that includes a spill prevention control and countermeasure (SPCC) Element. The SPCC, at a minimum, should include the following:
       a) Locate staging and storage areas for fuel and liquid materials away from drainageways and other surface water features.
       b) Line the storage areas with an impermeable material to prevent the release of fuel, oils, grease, or hydraulic fluids in the event of a spill.
       c) Separate the storage areas from adjacent surface runoff with containment berms having sufficient dimensions to retain the volume of fluids within the storage areas.
   X | Prior to award of construction contract/Include this provision in the construction contract | Construction Contractor | City Engineer
AIR QUALITY MANAGEMENT DISTRICT HEARING BOARD

Air Quality Management District Office
1855 Placer Street, Suite 101
Redding, CA 96001
(530) 225-5674

AGENDA
SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT HEARING BOARD
Shasta County Administration Center
1450 Court Street, Suite 263, Redding, California

Thursday, February 18, 2010, 1:30 p.m.

TO ADDRESS THE BOARD DURING OPEN TIME: Persons wishing to address the Board should fill out a Speaker Request Form prior to the beginning of the meeting (forms are available from the District office, 1855 Placer Street, Suite 101, Redding, CA 96001 or at the back of the meeting room). When the Chairman announces the public comment period, please approach the rostrum and, after receiving recognition from the Chairman, give your name and comments. Each speaker is allocated three (3) minutes to speak. Comments should be limited to matters within the jurisdiction of the Board. Pursuant to the Brown Act (Govt. Code Section 54950 et seq.) action or Board discussion cannot be taken on open time matters other than to receive the comments and, if deemed necessary, to refer the subject matter to the appropriate department for follow-up and/or to schedule the matter on a subsequent Board Agenda.

CALL TO ORDER

INTRODUCTIONS

PUBLIC COMMENT PERIOD - OPEN TIME

Persons wishing to address the Board should fill out a Speaker Request Form prior to the beginning of the meeting (forms are available from the District office, 1855 Placer Street, Suite 101, Redding, or at the back of the meeting room). The presentation shall not include any matter that has been or will be the subject of a noticed public hearing before the Board.

APPROVAL OF MINUTES: March 26, 2009

SCHEDULED HEARINGS

R1 Hear and consider granting Proposed Variance 10-V-01, Burney Forest Products, Burney, California. This proposed Variance would allow Burney Forest Products to continue operation of Boilers Number 1 and 2 without the use of the required Nitrogen Oxides (NOx) control system. The purpose of the Proposed Variance is to conduct a detailed engineering study to measure the effectiveness of the NOx control system. The results of the study will be used to determine if modifications can be made to the NOx control system to further enhance its effectiveness. Total operation time without the NOx control system shall not exceed 24 hours per Boiler.
R2  Hear and consider granting Proposed Variance 09-V-01 to allow Knauf Insulation, GmbH the continued production of insulation with the Regenerative Thermal Oxidizer bypassed for testing, and to continue production of insulation with the Regenerative Thermal Oxidizer bypassed and reduced pressure differential across the wet scrubbers for testing. The Variance request is for a maximum period of 12 hours, per test, to allow for emission testing.

R3  Hear final compliance report on 08-V-04, Knauf Insulation, GmbH, Shasta Lake, regarding bypassing the Regenerative Thermal Oxidizer for compliance testing.

ADJOURN

NOTES

1. The Air Quality Management Hearing Board, at their discretion, may limit individual/group testimony time in the interest of facilitating the meeting to allow all persons who wish to comment the opportunity to do so.

2. Documents associated with the agenda are on file and available for review. Direct inquiries to: Air Quality Management District, 1855 Placer St, Suite 101, Redding, CA 96001. Phone: (530) 225-5674.

3. In compliance with the Americans with Disabilities Act, Shasta County will make available to disabled members of the public disability-related modification or accommodation, including auxiliary aids of services, in order for the person to participate in the public meeting. The public should contact the Air Quality Management District, by telephone at (530) 225-5674 or in person or by mail at 1855 Placer Street, Suite 101, Redding, CA 96001 to request a modification or accommodation. Notification five (5) days prior to the meeting will enable the County to make arrangements to provide reasonable accommodations. If requested, this document and other agenda materials can be made available in an alternative format for persons with a disability who are covered by the Americans with Disabilities Act.

The agenda may be viewed on the internet at www.co.shasta.ca.us. Select “County Departments” and next click on Air Quality.
**RECOMMENDATION:** It is recommended that your Board conduct a public hearing to receive testimony on the proposed Variance Petition, 09-V-01, submitted by Knauf Insulation, GmbH. The Variance will allow for the continued operation of the process with the Regenerative Thermal Oxidizer bypassed for testing and reduction of differential pressure in the scrubbers.

**SUMMARY/DISCUSSION:** Knauf Insulation, GmbH (Knauf) is a wool fiberglass manufacturing facility located in the City of Shasta Lake. The facility manufactures both bonded- and unbonded-fiberglass products. The facility began operation and producing fiberglass insulation on February 4, 2002. The original binder formulation used in the fiberglass production consisted of urea, formaldehyde, and phenol. Both formaldehyde and phenol are listed by the U.S. Environmental Protection Agency (EPA) as hazardous air pollutants. Knauf ran two binder trials with their new Ecose-binder, in 2008 that had favorable results. During a shutdown in November and December of 2008, Knauf changed over the binder at the facility from the phenol/formaldehyde binder to the new Ecose-binder. On March 30, 2009, Knauf did a series of tests for the main manufacturing line main stack with the Regenerative Thermal Oxidizer (RTO) bypassed.

The Title V Operating Permit for Knauf contains the following conditions:

| C4. Best Available Control Technology (BACT) for the emissions from the fiberglass forming/curing/and cooling section shall be defined as the following emission control technologies capable of meeting the emission standards as specified in Condition C2 of this permit. The Permittee shall install, and thereafter continuously operate whenever fiberglass is being produced, and maintain the following air pollution control devices:

a) Forming Sections: Use of combustion controls which minimize peak flame temperatures in the fiber forming process for control of NOx, CO, and SOx. Use of Knauf process technology, six venturi scrubbers on the bonded wool forming line and one venturi scrubber on the unbonded wool forming line (each with a minimum of 10" WC pressure drop), followed by a wet electrostatic precipitator with continuous water spray wash system and four electrical fields (minimum) for the control of particulate matter and reactive organic gases (ROG).

b) Curing Section: Use of low NOx/CO burners burning natural gas for the control of NOx, CO, and SOx. Use of one regenerative thermal oxidizer with a minimum temperature of 1475 °F and a residence time of at least 0.75 second for control of VOC and particulate matter. A lower minimum operating temperature, no less than 1200 °F, may be used for the thermal oxidizer if, through emission testing, it is demonstrated to the satisfaction of the APCO and the EPA that a lower temperature offers an equivalent emission control of VOC and particulate matter as provide by the 1475 °F minimum temperature.
C5. The owner/operator shall continuously operate and maintain venturi scrubbers for the removal of suspended particulate matter from the cooling section and for the pretreatment of the gas upstream of the wet electrostatic precipitator. The scrubbers prior to the wet electrostatic precipitator shall maintain a minimum gas pressure drop of 10 inches water across the venturi throat and a minimum water flow to each scrubber of 200 gallons/minute. The cooling section scrubber shall maintain a minimum gas pressure drop of 2.0 inches water across the venturi throat and a minimum water flow to each scrubber of 50 gallons/minute. The pressure drop and water flow parameters shall be measured and recorded continuously. The solids in the scrubber water shall be removed to the extent necessary and fresh make-up water added as required in order for the Main Stack exhaust to meet the emissions limits in Condition C2 at all times of operation.

Knauf has applied for a Variance with two parts. The first part of the Variance is to operate the facility with the RTO bypassed for emission testing to quantify emissions from the main stack. The second part of the Variance is to operate the facility with the RTO bypassed and to operate the scrubbers with a pressure differential of less than 10 inches of water column. If the results of the emission testing are favorable, Knauf may petition the EPA Region IX and the Air Quality Management District (District) to modify the Permits to operate the facility without the RTO, to reduce the emissions from the combustion of natural gas, and lower the pressure differential across the scrubbers.

Based on the emission testing done during March 30, 2009, and April 1, 2009, and the maximum duration that the RTO will be bypassed for this test is 12 hours, the change in emissions will be:

<table>
<thead>
<tr>
<th></th>
<th>Main Stack Test (lb/hr)</th>
<th>RTO Bypass Test (lb/hr)</th>
<th>Emission Difference (lb/hr)</th>
<th>Emission Change (lbs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM</td>
<td>6.387</td>
<td>8.179</td>
<td>1.792</td>
<td>21.504</td>
</tr>
<tr>
<td>NOx</td>
<td>3.310</td>
<td>1.240</td>
<td>-2.070</td>
<td>-24.840</td>
</tr>
<tr>
<td>CO</td>
<td>11.830</td>
<td>14.130</td>
<td>2.300</td>
<td>27.600</td>
</tr>
<tr>
<td>VOC</td>
<td>2.480</td>
<td>4.180</td>
<td>1.700</td>
<td>20.400</td>
</tr>
<tr>
<td>NH3</td>
<td>8.200</td>
<td>8.830</td>
<td>0.630</td>
<td>7.560</td>
</tr>
</tbody>
</table>

The facility is proposing to reduce the gas pressure differential across the scrubbers to a level that will be determined during the emission testing. Pursuant to a conversation with the manufacturer of the scrubbers, the efficiency of the scrubbers should not vary significantly with a decrease in the differential pressure.

The District recommendation reflects the District's belief that Knauf Insulation, GmbH has presented all necessary information in the request for Variance 09-V-01. The District has evaluated the request to bypass the Regenerative Thermal Oxidizer for testing purposes, and believes that the potential for an increase of emissions during the testing will be minimal. It is the District staff's recommendation that the Board grant the request for Variance 09-V-01 for a maximum period of 12 hours for the RTO bypass test and a maximum of 12 hours for the RTO bypass and scrubber pressure reduction test.

Russ Mull, A.P.C.O.
Director of Resource Management

Attachment: Variance 09-V-01
The above-referenced matter came before the Shasta County Air Quality Management District Hearing Board on the 18th of February 2010, pursuant to Sections 42352, 42353, and 42359, and 42359.5 of the California Health and Safety Code.

The Hearing Board has made the following findings:

(a) That the applicant for a Variance is in violation of a rule, regulation, or order of the Air Quality Management District (District).

The applicant is seeking Variance 09-V-01 to shut down the use of the Regenerative Thermal Oxidizer (RTO) for emission testing for a maximum duration of 12 hours, and to shut down the use of the RTO and reduce the differential pressure drop across the venturi scrubbers for emission testing for a maximum duration of 12 hours. Title V Permit #03-VP-01 and Shasta County Air Quality Management District (District) Permit #97-PO-28 state that the RTO shall be operated at all times during the production of fiberglass.

(b) That due to conditions beyond the reasonable control of the applicant, requiring compliance would result in either (1) an arbitrary or unreasonable taking of property, or (2) the practical closing and elimination of a lawful business.

The applicant is requesting a short-term deviation from the normal operations at the facility. By requiring compliance to the applicable Permit Condition, the applicant would not be able to quantify the emissions from the exit of the curing ovens.

(c) That such closing or taking would be without a corresponding benefit in reducing air contaminants.
The applicant has stated that this is not applicable for this Variance. If the Variance is not obtained, the applicant would not do the additional emission testing and would operate the facility in compliance with the Condition of the Permits.

(d) That the applicant for the Variance has given consideration to curtailing operations of the source in lieu of obtaining a Variance.

The applicant has stated that this is not applicable for this Variance. If the Variance is not obtained, the applicant would not do the emission testing and would operate the facility in compliance with the Condition of the Permits.

(e) That during the period the Variance is in effect, the applicant will reduce excess emissions to the maximum extent feasible.

The applicant has switched the fiberglass binder formula to remove the chemicals that are listed as Hazardous Air Pollutants, formaldehyde and phenol. During the emissions testing, the RTO burner will not be in operation, therefore reducing the emissions from the combustion of natural gas.

(f) That during the period the Variance is in effect, the applicant will monitor or otherwise quantify emission levels from the source and, if requested, report these emission levels to the District.

The applicant has verified that there will be emission testing of PM10, NOx, and VOCs during the period that the RTO is bypassed.

THEREFORE, IT IS HEREBY ORDERED THAT:

(a) The Variance shall be issued pursuant to California Health and Safety Code Section 42359.5 for a period not to exceed 12 hours per test to allow facility operations without the use of the Regenerative Thermal Oxidizer and reduction in differential pressure drop across the venturi in the scrubbers.

(b) The remaining Conditions of the Permit to Operate and Title V Operating Permit for Knauf Insulation, GmbH will continue to be in full effect during the 12-hour testing period.

(c) Knauf Insulation, GmbH shall submit to the District written verification of the time the RTO is removed from service, the time the RTO is placed back into service, and the duration the RTO is out of service. Knauf Insulation, GmbH shall submit to the District written verification of the time the differential pressure drop is reduced, the time the differential pressure drop is returned to 10" H20, and the duration the pressure drop is less than 10" H20.

(d) Knauf Insulation, GmbH shall submit to the District a copy of the emission testing done during the Variance period.

(e) Knauf Insulation, GmbH shall immediately mitigate any situation causing a public nuisance pursuant to California Health and Safety Code Section 42353.
(f) The Hearing Board Chairman has made the necessary findings pursuant to *California Health and Safety Code* Section 42352.

(g) The effective date of this Variance shall be February 18, 2010.

Dated: __________________________

By: ______________________________

Allen Krohn, M.D., Hearing Board Chairman

This Order was duly entered and a copy thereof mailed to the applicant on:

_______

By: ______________________________

Russ Mull
Air Pollution Control Officer
MINUTES OF THE REGULAR MEETING HELD TUESDAY, FEBRUARY 16, 2010, AT THE JOHN BEAUDET COMMUNITY CENTER, 1525 MEDIAN AVENUE, SHASTA LAKE, CALIFORNIA.

1.0 CITY COUNCIL MEETING - 6:00 p.m.

Mayor Watkins called the meeting to order at 6:00 p.m.
Council members present: Dixon, Farr, Lindsay, Lucero, Watkins
Pledge of Allegiance
Invocation

2.0 AWARDS/ RECOGNITIONS:

2.1. Resolution recognizing and commending the Sunrise Rotary Club for their work in serving our community.

Motion/Vote:
By motion made/seconded (Dixon/Farr), and carried, Resolution CC10-12 was approved.

3.0 COMMUNICATIONS

3.1 Presentations:
Presentation by Dr. Andrew Deckert of Shasta County Public Health on the health impacts of marijuana.

3.2 Public Comment Period:
Students from the Interact Club of Central Valley High School talked about their service club activities and the upcoming community barbeque fundraiser.

Eric Cassano spoke about alleged Knauf air pollution permit violations and establishing better communications between Air Quality Management District and the city.

3.3 Commission/Committee Reports:
Neva Wacker of the Shasta Gateway Library thanked councilmember Lucero for helping get donations for the library and about a calendar sale fundraiser the library is having.

Henry Hurlhey of the Mosquito Vector Control District gave a brief report.
Steve Morgan of the Parks and Recreation Commission spoke in support of the work that the Parks and Recreation Commission has done and expressed that he would like to see the commission continue.

3.4 City Council Reports/Comments/Correspondence

3.5 Staff Comments/Reports

City Manager Carol Martin gave an update on the status of the Law Enforcement Center project.

Development Services Director Carla Thompson spoke about the Caltrans Complete Streets workshop. She also announced that the Planning Commission would be meeting at 6:00 p.m. on Thursday, February 17, 2010 and are asking for public input regarding the subject of medicinal marijuana cultivation.

4.0 CONSENT CALENDAR

4.1 Approval of the minutes of the regular meeting of February 2, 2010.


Motion/Vote

By motion made, seconded (Lindsay/Lucero), the Consent Calendar was approved.

5.0 PUBLIC HEARINGS: None

6.0 OLD BUSINESS

6.1 Discussion and possible action on Resolution approving a Professional Services Agreement with the Economic Development Corporation of Shasta County to conduct a Feasibility Study for a Green Technology Business Park for an amount not to exceed $70,000.

Eric Casano of Shasta Lake made public comment in opposition to the project.

Motion/Vote

By motion made/seconded (Farr/Lindsay), and carried, Resolution CC10-14 was approved. Noes: Dixon

7.0 NEW BUSINESS

7.1 Discussion and possible action to reappoint Bridget Dirks to a four year term on the Planning Commission.

Motion/Vote

By motion made/seconded (Farr/Lindsay), and carried, Resolution CC10-15 was approved.
7.2 Discussion and possible action on Resolution appointing Patricia Lind to a four year term on the
Planning Commission.

Motion/Vote
By motion made, seconded (Lindsay/Lucero), and carried, Resolution CC 10-16 was approved.

7.3 Discussion and possible action on Resolution authorizing a temporary reclassification of electric
power charges to Wesfex Pipe Manufacturing from the small industrial rate to the economic
development rate.

Motion/Vote
By motion made, seconded (Lindsay/Dixon), and carried, Resolution CC 10-17 was approved.

7.4 Discussion and possible action on Resolution approving a supplemental appropriation in the
amount of $800,000 for the City of Shasta Lake Homebuyer Program (HP), funded by the State
of California Department of Housing and Community Development Home Program (Standard
Agreement 09-HOME-6210)

Motion/Vote
By motion made, seconded (Dixon/Lindsay), and carried, Resolution CC 10-18 was approved.

7.5 Discussion and possible action on Resolution authorizing the City Manager to execute an
engagement letter extending auditing services with D.H. Scott for Fiscal Years 2009-10, 2010-
11 and 2011-12.

Motion/Vote
By motion made, seconded (Lindsay/Lucero), and carried, Resolution CC 10-19 was approved.

7.6 Discussion and possible action on Resolution approving a Change Order Policy for Professional
Service Agreements and Construction Projects.

Motion/Vote
By motion made, seconded (Farr/Lucero), and carried, Resolution CC 10-20 was approved.

8.0 COUNCIL/STAFF REPORTS/COMMENTS

8.1 Council Comments/Reports: None

8.2 Staff Comments/Reports: None

9.0 ADJOURNMENT

With no further business to come before the City Council, Mayor Watkins adjourned the
meeting at 8:32 p.m.

TONI M. COATES, City Clerk
AGENDA ITEM
City Council Meeting

TO: Carol Martin, City Manager
FROM: John Duckett, Assistant City Manager
DATE: February 10, 2010
SUBJECT: Cash & Investment Report for December 31, 2009
FILE NO: F-200-150-015

RECOMMENDATION:
Staff recommends approval of the attached Cash & Investment Report for the period ending December 31, 2009.

BACKGROUND:

Effective January 1, 1996, California enacted into law Senate Bills 564 and 866, which outline standards and requirements regarding investment activities for local public agencies. Sound investment policies, conservative management of public funds, and quarterly reporting requirements to the governing body were the main focus of this legislation.

The law requires that staff submit an investment report to the City Council (governing body) each quarter that consists of the following information:

- issuers (bank or institution),
- type of investment or description,
- dollar amount,
- interest rate,
- market valuation,
- percent of each investment within the overall portfolio,
- date of maturity.
The source of the valuation of each investment is required to be reported to the City Council. Additionally, a statement indicating the agencies ability, or lack thereof, to meet the next six (6) months cash flow requirements is required.

Each of the criteria listed above has been addressed in the attached analysis of the cash and investments that the City held on December 31, 2009. The source of market valuations has been quoted from documents received from the bank or institution that is the issuer of each of the investments. If staff did not receive this information from the bank or institution, market value has been listed as equal to the carrying amount. Additionally, we have indicated whether funds are “restricted” for a particular purpose. Restricted funds are usually the amount of funds required to service the last debt service payment on a loan or funds for special projects (water improvement project and housing rehabilitation).

On an overall basis, the City of Shasta Lake should be able to meet its cash flow requirements for the next six months.

**FISCAL IMPACTS:**

None.

**ATTACHMENTS:**

- City of Shasta Lake Cash & Investment Report
- Resolution for the approval of the December 31, 2009 Cash & Investment Report

**DISTRIBUTION:**

City of Shasta Lake City Council
City of Shasta Lake Central Files
The table below provides an analysis of cash and investments as of December 31, 2009, for the City of Shasta Lake.

<table>
<thead>
<tr>
<th>Bank or Institution</th>
<th>Description</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Market Valuation</th>
<th>% of Portfolio</th>
<th>Date of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Valley Bank/Union Bank of CA:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NVB</td>
<td>Checking Acct</td>
<td>$684,492.17</td>
<td>n/a</td>
<td>$684,492.17</td>
<td>2.74%</td>
<td>n/a</td>
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<tr>
<td>NVB</td>
<td>Savings Account</td>
<td>$0.00</td>
<td>0.75%</td>
<td>$0.00</td>
<td>0.00%</td>
<td>n/a</td>
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<tr>
<td></td>
<td>Tenant Deposit Acct</td>
<td>$430,470.06</td>
<td>n/a</td>
<td>$430,470.06</td>
<td>1.73%</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>U.S. Treasury Notes</td>
<td>$250,000.00</td>
<td>6.510%</td>
<td>$340,782.50</td>
<td>1.00%</td>
<td>08/15/2017</td>
</tr>
<tr>
<td></td>
<td>Petty Cash</td>
<td>$1,700.00</td>
<td>n/a</td>
<td>$1,700.00</td>
<td>0.01%</td>
<td>n/a</td>
</tr>
<tr>
<td>Redding Bank of Commerce:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Restricted) Certificate of Deposit</td>
<td>$58,000.00</td>
<td>2.21%</td>
<td>$58,000.00</td>
<td>0.23%</td>
<td>12/24/2010</td>
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<tr>
<td></td>
<td>(Restricted) Checking Account</td>
<td>$3,669.31</td>
<td>0.20%</td>
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<td>0.01%</td>
<td>n/a</td>
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<td>Wells Fargo</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>Certificate of Deposits</td>
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<td>N/A</td>
<td>$192,176.71</td>
<td>0.74%</td>
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<td></td>
<td>Certificate of Deposits</td>
<td>$8,000,039.23</td>
<td>N/A</td>
<td>$7,963,933.70</td>
<td>32.08%</td>
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<tr>
<td>State of California</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>LAIF-City</td>
<td>$19,031,891.39</td>
<td>Pooled Earnings</td>
<td>$19,031,891.39</td>
<td>76.32%</td>
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<tr>
<td></td>
<td>LAIF-Redevelopment</td>
<td>$374,896.87</td>
<td>Pooled Earnings</td>
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<td>1.50%</td>
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<tr>
<td>Shasta County Trustee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>(Restricted) LAIF-County</td>
<td>$320,928.60</td>
<td>Pooled Earnings</td>
<td>$320,928.60</td>
<td>1.29%</td>
<td>n/a</td>
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<tr>
<td>Union Bank of California</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<td>(Restricted) Money Market</td>
<td>$2,685,922.62</td>
<td>7.00%</td>
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<td>10.77%</td>
<td>n/a</td>
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<td></td>
<td>(Restricted) Money Market</td>
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<td>2.84%</td>
<td>$908,850.00</td>
<td>3.64%</td>
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<tr>
<td></td>
<td>Grand Total</td>
<td>$24,936,437.42</td>
<td>$25,033,850.23</td>
<td>132.08%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Restricted = Debt Service Reserve Requirements

It is expected that the City of Shasta Lake will be able to meet its cash flow requirements for the next six months.

Finance Director
Date: 10-Feb-10

WHEREAS, staff is required under Senate Bills 564 and 866 to provide a quarterly investment report to the City Council, and

WHEREAS, the staff has included the issuers, type of investment or description, dollar amount, interest rate, market valuation, the percent of each investment within the overall portfolio, the date of maturity, and

WHEREAS, the source of valuation of each investment has been quoted from documents received from the bank or institution that is the issuer of each of the investments and when not supplied the amount has been listed as equal to the carrying value, and

WHEREAS, on an overall basis, the City of Shasta Lake will be able to meet its cash flow requirements for the next six months.

NOW, THEREFORE BE IT RESOLVED that the Shasta Lake City Council accepts the Quarterly Investment Report for the period ending December 31, 2009.

PASSED, APPROVED, AND ADOPTED this 16th day of February, 2010, by the following vote:

AYES:
NOES:
ABSENT:

________________________________________
GREG WATKINS, Mayor

ATTEST:

________________________________________
TONI M. COATES, City Clerk
TO: Mayor and City Council Members
FROM: Carol Martin, City Manager
DATE: February 23, 2010
SUBJECT: Request by Calvary Chapel/Simpson University

RECOMMENDATION:

Staff recommends Council approval of a request by Calvary Chapel for the use of city owned property for a 5K run Family Fun Day on April 17, 2010.

BACKGROUND:

Simpson University and Calvary Chapel are working together to put on a 5K run Family Fun Day on April 17th to raise money for an after school program. The event location is at the Calvary Chapel in Shasta Lake. They will be using the Calvary Chapel facilities and parking, and have requested the use of city owned property across the street to put on Family Fun Day events, such as the craft fair, bounce houses, face painting, etc. The City owned property they are proposing to use is the Meade Street Senior Housing lot. Staff has reviewed the request and has no issues with their use of the property.

A Special Event Permit has been approved with the stipulation that if city owned property is used, there will be a requirement to provide an insurance certificate with the City listed as additional insured.

FISCAL IMPACTS:

None

ATTACHMENTS:


DISTRIBUTION:

City Council
Assistant City Manager
To Whom It May Concern,

My name is Luke Pettengill from Simpson University and I am working in conjunction with Calvary Chapel of Shasta Lake; we are currently planning a 5k run Family Fun Day on April 17th in Shasta Lake City to raise money for an after school program held at the church. It is the church’s plan to move locations in the next three months and to donate the current building to serve as a Youth Center that will serve as a ministry of Calvary Chapel of Shasta Lake. The center is being established to be a resource to the community, specifically the city’s youth as students can come daily to receive help on their homework, to grow in the arts, or to simply hang out.

This event has already received approval for an event permit leaving us left with the task of finding a location. We are requesting your approval to use the lot next to the church that will serve as the future location of a senior housing project. We feel like this would be an ideal location because from a P.R. standpoint, the lot is directly across the street from the church and people can see where we intend to put the center. In addition to the race, this event will include a craft fair, local area vendors, bounce houses, face painting and other activities ideal for families. The lot we are requesting will allow us to use the church for parking and bathrooms, and has a sufficient amount of property to hold all of the activities planned. We would take the responsibility to mow the grass and to clean up the property to have it ready for the event. As I’ve stated, we want to be a resource to the city and feel that this location will be important in allowing us to this effectively.

If you have any questions please feel free to contact me directly at (530) 356-7100. Thank you for your consideration!

Sincerely,

Luke Pettengill
Student Outreach Intern
Simpson University
AGENDA ITEM
CITY COUNCIL MEETING

TO: Mayor and City Council Members
FROM: Carol Martin, City Manager
DATE: February 23, 2010
SUBJECT: Resolution Adopting FY 2009-10 Mid-Year Budget
FILE: F-200-050-017

RECOMMENDATION:
Staff recommends approval of the FY 2009-10 Mid-Year Budget for the City of Shasta Lake as well as the authorization of a loan from the City’s Electric Utility in the amount of $133,347 to be repaid with interest when funds borrowed by the State of California are repaid to the City’s General Fund.

BACKGROUND:
Staff met with the Finance Committee on February 9, 2010 to review the proposed FY 2009-10 Mid-Year Budget. If Council desires any further budgetary changes, a motion to amend the Mid-Year Budget would be required.

FISCAL IMPACTS:
The Mid-Year Budget revisions include a revenue program of $38,585,848, an expenditure program of $50,140,711 and transfers in and out of $964,732 with a $133,347 loan from the City’s Electric Utility to the City’s General Fund.

ATTACHMENTS:
- Resolution adopting the FY 2009-10 Mid-Year Budget and electric utility loan.
- Budget Message and Comparative Fund Summary of all funds.

DISTRIBUTION:
- Shasta Lake City Council
- Shasta Lake Redevelopment Agency
A SHASTA LAKE CITY COUNCIL RESOLUTION APPROVING AND ADOPTING THE FISCAL YEAR 2009-10 MID-YEAR BUDGET

WHEREAS, the City of Shasta Lake annually appropriates funds to conduct the business of the City, and;

WHEREAS, the City Council has reviewed the proposed Mid-Year budget revisions for the Fiscal Year 2009-10, which incorporates revenue projections of $38,585,848, an expenditure program of $50,140,711, and transfers in and out of $964,732 with a loan from the City’s electric Utility to the City’s General Fund.

NOW, THEREFORE BE IT RESOLVED that the Shasta Lake City Council hereby approves and adopts the FY 2009-10 Mid-Year Budget for the City of Shasta Lake; authorizes the collection of revenues and appropriates the funds necessary to implement its policies, priorities and objectives.

PASSED, APPROVED, AND ADOPTED this 2nd day of March, 2010, by the following vote:

AYES:  
NOES:  
ABSENT:

__________________________  
GREG WATKINS, Mayor

ATTEST:

__________________________  
TONI M. COATES, City Clerk
MEMORANDUM

TO: Mayor and City Council Members
FROM: Carol Martin, City Manager
DATE: February 19, 2010
SUBJECT: Fiscal Year 2009-10 Mid-Year Budget Message

The City of Shasta Lake fiscal year 2009-10 Mid-Year Budget Update is presented here and includes all of the funds the City anticipates will be received and expended for the balance of the current budget cycle. In most instances, revenue and expenditures are based on known information likely to occur, however, it is important to note that the City is reliant on many factors when making projections for the balance of this fiscal year.

The term roll-over mentioned in this document refers to funds committed for projects in a previous fiscal year and moved to the current fiscal year. In addition, the City Council approved an implementation plan for the management of City’s Other Post-Employment Benefits (OPEB). The OPEB requirement for the City relates to retiree health care premiums as required by Governmental Accounting Standards Board Statement 45. Therefore, any fund within the City that has employees will include the approved OPEB expense with the exception of the City’s General Fund.

General Fund

General Fund Revenue

In May 2009, the City Council adopted a revised fiscal year 2009-10 budget due to the continued economic downturn. The following table represents recommended General Fund revenue increases and decreases to those revisions adopted by the City Council in May of 2009 for fiscal year 2009-10:

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>Original Revised</th>
<th>Mid-Year Adjustment</th>
<th>Revised Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERAF Backfill</td>
<td>205,000</td>
<td>(63,500)</td>
<td>141,500</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>385,000</td>
<td>(30,500)</td>
<td>354,500</td>
</tr>
<tr>
<td>Sales Tax Compensation (Triple Flip)</td>
<td>145,000</td>
<td>(55,000)</td>
<td>90,000</td>
</tr>
<tr>
<td>Building Permits</td>
<td>67,000</td>
<td>6,000</td>
<td>73,000</td>
</tr>
<tr>
<td>Grant - Other (Shasta County)</td>
<td>-</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Field Notice Fee</td>
<td>57,500</td>
<td>7,000</td>
<td>64,500</td>
</tr>
<tr>
<td>Miscellaneous Employee Services</td>
<td>47,625</td>
<td>37,375</td>
<td>85,000</td>
</tr>
<tr>
<td>Investment Income</td>
<td>75,000</td>
<td>(30,000)</td>
<td>45,000</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>4,773,916</td>
<td>6,420</td>
<td>4,780,336</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>5,756,041</strong></td>
<td><strong>(102,205)</strong></td>
<td><strong>5,653,836</strong></td>
</tr>
</tbody>
</table>

The above revisions reduce General Fund revenue by $102,205 (1.8%) for fiscal year 2009-10. Although the City continues fiscally conservative budgeting practices, the economy remains anemic across the
country. The above proposes a decrease of $30,500 in sales tax revenues. This is a 7.9% decline from
the revised estimate of $385,000 to $354,500 and represents the general reduction in consumer
spending that is affecting California cities throughout the state. As a comparison, the City received
$330,923 in sales tax revenue in the preceding fiscal year. Other items of note are the reduction of
$63,500 in the City’s ERAF Backfill account and a decrease of $55,000 in the Sales Tax Compensation
account. Both of these revenue streams are also affected by the general reduction in sales tax receipts.
An increase of $20,000 for a Healthy Communities Grant from the County of Shasta and $37,375 for
Miscellaneous Employee Services accounts are included. The Miscellaneous Employee Services
account revenue is from the reimbursement of staff time charged to qualifying grants projects.

Staff continues to monitor the State of California’s budget process. At this time, the only item that will
have an affect on the City’s General Fund revenue will be the implementation of the 2004 Proposition 1A
provisions. This will allow the State to borrow property tax funds from cities. These funds would be
collected by the counties and transferred to the State. The funds must be repaid with interest to the cities
within three years. The City’s contribution will be $133,347. It is recommended by staff that the amount
loaned to the state by the General Fund be replaced by borrowing the amount from the City’s Electric
Utility. The General Fund would then repay the Electric Utility the $133,347 with interest when the funds
are reimbursed to the City by the State of California. A resolution will be completed for City Council
consideration for this loan.

The following are notable changes to expenditures in the City’s General Fund:

**General Fund Departmental Expenditures**

City Council – Decreases to the Health Insurance and the Travel, Meetings & Dues accounts in the
amount of $12,475 and $2,500, respectively.

City Manager – True-up of salary and benefit accounts as approved. Decrease of $1,000 to the Travel,
Meetings & Dues account.

Development Services – There are several changes resulting in an overall increase of $3,016.

City Clerk Services – An increase of $4,000 for election expenses and an increase of $4,500 for the cost
of required advertising requirements.

Central Services – Increase in consulting services of $14,344 representing the expenditures offset by the
Healthy Communities grant of $20,000 included in revenue. An increase in Services-Miscellaneous of
$27,000 representing an increase in costs paid to the County of Shasta for property tax collection
services. Several other increases and decreases to various accounts for an overall expenditure
reduction of $2,254.

Capital Outlay – Includes previously approved roll-overs of $50,000 for general plan technical studies and
$1,797,610 for the approved construction of the Law Enforcement Center/City Council Chamber project.

Park Services – Reductions of $7,263 to General Maintenance and $14,587 to the Labor Allocation
accounts representing the recently Council approved restructuring of the City’s Public Works Department.

Recreation – A $10,602 reduction representing the projection of expenditures for the balance of this fiscal
year.

Police Services – Includes a reduction of $20,709 in costs allocated from the City’s Motor Pool operation
representing the recently approved Council restructuring of that department.
Public Services – The department has an overall reduction of $52,421 primarily related to the restructuring of the City Engineer’s duties and transferring a greater portion of this position’s salary and benefits to the Public Works department.

Excluding the roll-overs of capital expenditures previously approved by the City Council, the City’s General Fund expenditures were reduced by $114,426.

Overall the City’s General Fund revenue has been decreased $102,205 to $5,653,836 and expenditures increased $1,741,184 to $7,456,074. The increase to the expenditures is primarily related to the roll-over of one-time capital expenditures of $1,847,610.

The following table details recommended General Fund revenue and expenditure increases and decreases for fiscal year 2009-10:

**Overall General Fund Changes ($)**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised FY 2009-10 Budget</td>
<td>5,756,041</td>
</tr>
<tr>
<td>ERAF Backfill</td>
<td>(63,500)</td>
</tr>
<tr>
<td>Sales Tax Related</td>
<td>(85,500)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>(30,000)</td>
</tr>
<tr>
<td>Grant - Other (Shasta County)</td>
<td>20,000</td>
</tr>
<tr>
<td>Miscellaneous Employee Services</td>
<td>37,375</td>
</tr>
<tr>
<td>Misc. Revised Revenue - Increase</td>
<td>19,420</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised FY 2009-10 Budget</td>
<td>5,690,890</td>
</tr>
<tr>
<td>Council Approved Supplementals</td>
<td>24,000</td>
</tr>
<tr>
<td>Mid-Year Expenditure Reductions</td>
<td>(114,426)</td>
</tr>
<tr>
<td>Recommended by Staff</td>
<td>(114,426)</td>
</tr>
<tr>
<td>One-Time Capital Expenditures</td>
<td>1,855,610</td>
</tr>
<tr>
<td>Gen. Plan Tech/Council Cham/GASB45</td>
<td>-</td>
</tr>
</tbody>
</table>

| Revised Revenue Budget | 5,653,836 |
| Revised Expenditure Budget | 7,456,074 |

Excluding one-time capital expenditures of $1,855,610, the City’s General Fund is projected to have revenue exceeding expenditures of $53,372. The projected fund balance (reserves) at June 30, 2010 is $1,315,467 or 23% of the fiscal year 2010 expenditure budget. The $1,315,467 represents the City’s General Fund Reserve balance after the contribution for the City’s portion of the new City Council/Law Enforcement Center construction.

Staff continues to monitor the overall economy with a close eye on property and sales tax revenue. Property and sales taxes are the City’s most volatile General Fund revenue streams and are most dependent on the general state of the economy. The following table compares General Fund actual revenues received to actual expenditures since fiscal year 2003:

**General Fund Actual Revenues vs. Expenditures ($)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue</th>
<th>Expenditures</th>
<th>Transfers Out</th>
<th>Over/(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009*</td>
<td>5,523,804</td>
<td>5,587,065</td>
<td>(22,100)</td>
<td>(85,361) **</td>
</tr>
<tr>
<td>2008</td>
<td>5,895,617</td>
<td>5,481,466</td>
<td>(40,000)</td>
<td>374,151</td>
</tr>
<tr>
<td>2007</td>
<td>5,608,723</td>
<td>4,933,507</td>
<td>(11,300)</td>
<td>663,916</td>
</tr>
<tr>
<td>2006</td>
<td>5,101,924</td>
<td>4,815,031</td>
<td>(53,595)</td>
<td>233,298</td>
</tr>
<tr>
<td>2005</td>
<td>5,029,732</td>
<td>4,536,286</td>
<td>(669,019)</td>
<td>(175,573)</td>
</tr>
<tr>
<td>2004</td>
<td>4,417,290</td>
<td>3,963,288</td>
<td>(131,889)</td>
<td>322,113</td>
</tr>
<tr>
<td>2003</td>
<td>4,035,271</td>
<td>3,704,594</td>
<td>(106,918)</td>
<td>223,759</td>
</tr>
</tbody>
</table>

* FY 2009 Excludes $374,885 in One-Time Capital Projects Expenditures.

** Includes an approximate $50,250 subsidy to the City's internal recreation program.
To date, with all the changes and adjustments recommended by staff and approved by the City Council, the City of Shasta Lake continues to maintain a relative healthy General Fund. However, as the state prepares to balance their budget, the City remains vigilant of the potential impacts that actions taken by the Governor and Legislature may have on the revenue streams of the City.

**Special Revenue Funds**

*Transportation/Trafficway*

The State of California again has delayed the Gas Tax distributions for Cities. The July, August and September Gas Tax allocations for the City were delay and paid in October of 2009. The State is currently withholding the November, through March Gas Tax distribution which is scheduled to be reimbursed to the City in April of 2010. This should not cause any immediate cash flow issues for the Traffic/Transportation Fund.

Again the City has been notified by the Regional Transportation and Planning Administration (RTPA) that due to the reallocation of statewide sales tax on gasoline and diesel fuel away from transportation needs, there will be reduced Transportation Development Act (TDA) funding allocated through the RTPA to the City of Shasta Lake. This will have an impact on the City’s discretionary transportation funds used for street maintenance. Staff will continue to monitor this area and report any additional information as it becomes available.

**Revenue** - Increase of $409,000 for the City’s share of the American Recovery and Reinvestment Act funding for street projects, and a roll-over of funds in the amount of $656,538 for the approved Montana Safe Routes to Schools grant. An adjustment based on the reduction in projected TDA funds of $195,000 as well as a $20,000 reduction to the Traffic Impact Fee account is included.

**Expenditures** – Roll-over funds previously approved for the Proposition 1B and Montana Safe Routes to Schools project are included of $376,950 and $656,538, respectively. Other adjustments include the true-up of the City’s contribution to the Redding Area Bus Authority.

**Plant & Facility Connection Charges**

**Revenue** - The continued downturn in the housing market directly affects the City’s Plant & Facility Connection Charge (P&FCC) funds. These funds are collected through new development and are utilized to construct or upgrade facilities. Expenditures in these funds are limited to funds available and revenue received in the current year. The City has four wholly separate funds related to water, electric, wastewater and park services. The funds have been revised to reflect the payment of refunds based on the recently approved City Council resolution authorizing connection charge refunds. Overall expenditure changes are as follows:

**Revisions to P&FCC fund expenditures ($)**

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>Original Budget</th>
<th>Adjustment</th>
<th>Revised Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water P&amp;FCC</td>
<td>13,867</td>
<td>4,231</td>
<td>18,098</td>
</tr>
<tr>
<td>Electric P&amp;FCC</td>
<td>100,500</td>
<td>3,732</td>
<td>104,232</td>
</tr>
<tr>
<td>Wastewater P&amp;FCC (Including trunk capacity)</td>
<td>50,542</td>
<td>38,191</td>
<td>88,733</td>
</tr>
<tr>
<td>Parks P&amp;FCC</td>
<td>1,720</td>
<td>42,255</td>
<td>43,975</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>166,629</strong></td>
<td><strong>88,409</strong></td>
<td><strong>255,038</strong></td>
</tr>
</tbody>
</table>
Revenue – A reduction of $40,000 to the Wastewater P&FCC fund and an increase of $18,876 to the Park P&FCC account for the receipt of Park Bond grant funds for the completion of the lighting project at Claire Engle Park.

Expenditures – Significant changes include an increase of $38,191 in the Wastewater P&FCC Fund for connection fee refunds of $8,245 and a $29,946 roll-over for the completion of the Wastewater Feasibility Study. The Parks P&FCC Fund includes the addition of $3,379 for connection fee refunds and an addition of $18,876 to the $20,000 already on hand from the Park Bond funds (Grant) for the completion of the lighting project at Clair Engle Park.

Transfers – As part of the 2008 water infrastructure project, the City pledged that $135,000 would be transferred on an annual basis from the Water P&FCC Fund to the Water Fund to assist with the payment of debt service. Due to the economic downturn and the decline in connection fees, this amount will not be available within the P&FCC Fund this fiscal year. Therefore, the transfer has been reduced from $135,000 to $67,500 for fiscal year 2009-10. This transfer reduction will have an adverse impact on the Water Fund as the rate payers are required to contribute to the debt service. This issue was not addressed during the rate analysis completed in June 2009 and will reduce the fund balance from what was initially projected within the Water Fund. This problem may need to be revisited in the future if the funds continue to be unavailable for transfer as originally proposed.

Redevelopment Agency

During the State of California’s budget crisis of 2009, the State developed the Supplemental Educational Revenue Augmentation Fund (SERAF). In short, the State intends to divert $1.7 billion in property tax revenues to K-12 schools during the 2009-10 fiscal year and $350 million the next fiscal year. The City’s Redevelopment Agency’s projected contribution this year is $1,166,708. The budget has been updated to include this amount. The legislation that requires the transfer of these funds to the SERAF is currently pending litigation on the basis that the action taken by the legislature is unconstitutional. This is similar to the lawsuit in which redevelopment agencies prevailed last year. In the event the cities prevail in the lawsuit, $1,000,000 will be transferred to the Street & Street Improvements FY 2010 account. Staff will continue to monitor these proceedings.

The Agency has also committed funding for several capital projects including the completion of the Cascade Boulevard roadway project, a downtown parking lot, a portion of the Safe Routes to Schools – Cabello project, and the Law Enforcement Center project as well as funding for a new parking lot for the Summit City fire station.

Additionally, the Agency is primarily dependent on property tax revenue based on property valuations. Therefore, any property devaluations will have a negative affect on the Agency’s revenue stream.

Low & Moderate Housing

Revenue – No changes to the originally proposed budget.

Expenditures – The City’s Low and Moderate Housing Fund has minimal changes with the exception of the inclusion of the annual OPEB contribution of $18,062.

CDBG Projects Funds

Revenue – The City is very active in securing Community Development Block Grant (CDBG) funding. The fund includes the City Council approved supplemental appropriation roll-over from the last fiscal year in the amount of $447,500 for the Cultural Resource Center as well as grant revenue for the Housing Element – Historical Context and the City Center Plaza project in the amount of $132,187.
Expenditures – The fund includes the roll-over of $447,607 for the Cultural Resource Center project, $23,687 roll-over for the Housing Element – Historical Context project and a $37,100 roll-over of the previously approved City Center Plaza Project.

Enterprise Funds

Water Enterprise

Revenue – No changes to current estimates.

Expenditures – Includes a true-up for the projected cost of water in the amount of $110,260 for the balance of the fiscal year as well as other miscellaneous adjustments and transfers in the amount of $1,858 for a total increase in expenditures of $112,118 within the fund.

Electric Enterprise

Revenue – Includes a decrease of $700,000 in Sales-Industrial to true-up to actual projected revenue.

Expenditures – Includes a reduction in the cost of purchased power in the amount of $1,150,000 to true-up to actual projections. Increase of $722,502 to the Power Purchase Amortization account. This is a non-cash account that records the annual amortization of previously purchased gas and electrical transmission services.

The capital budget includes the roll-over of $1,000,000 for the replacement of a transformer at the Central Valley Substation as well as an increase/roll-over of $50,000 for the completion of the remote meter reading project and the elimination of $110,000 of Public Benefit funds previously budgeted for hybrid vehicles has been eliminated. The above represents an overall increase in the fund of $693,900.

Additionally, staff will be updating the electric rate model this year to determine the possible need for an increase to electric rates.

Wastewater Enterprise

Revenue – No changes to current estimates.

Expenditures – The operation budget includes various additions and transfers in the amount of $112,061. The bulk of this increase is a $95,268 labor allocation charge reflecting increased maintenance costs associated with recent State mandated sewer inspection requirements.

Industrial Park Enterprise

Revenue - No changes to current estimates.

Expenditures – Miscellaneous decrease in overall expenditures of $10,000.

Internal Service Funds

Motor Pool

Revenue – A decrease of $141,396 in the Cost Transferred In–Motor Pool account. This reduction reflects a cost savings from recently approved personnel changes as well as the savings in the cost of fuel purchases within the fund. The savings was passed on to those funds that contribute to the Motor Pool operation.
Expenditures - The operation budget includes a roll-over of $25,000 for motor vehicle purchases and $60,000 for the diesel particulate filter program.

Public Works

Revenue - A decrease of $12,900 in the Cost Transferred In–Public Works account. This reduction reflects a cost savings from recently approved personnel changes.

Expenditures – Includes a decrease of $12,900 due to a cost savings from recently approved personnel changes.

Conclusion

This is the City’s second mid-year budget revision to the 2008-10 Two-Year Budget. The above changes and recommendations have been included in the City’s 2009-10 Mid-Year Budget Update and reflected in the following Comparative Fund Summary - All Funds on the following page:
<table>
<thead>
<tr>
<th>Fund Category</th>
<th>Restricted Funds</th>
<th>Estimated Revenue</th>
<th>Operating Transfers In</th>
<th>Operating Transfers Out</th>
<th>Estimated Expenditures</th>
<th>Restricted Funds Available</th>
<th>Estimated Fund Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUND</td>
<td>208,549</td>
<td>3,170,047</td>
<td>$ 5,653,836</td>
<td>-</td>
<td>$ 53,242</td>
<td>$ 7,456,074</td>
<td>208,549</td>
</tr>
<tr>
<td>SPECIAL REVENUE FUNDS</td>
<td>695,086</td>
<td>1,621,292</td>
<td>2,726,494</td>
<td>-</td>
<td>-</td>
<td>3,273,351</td>
<td>601,357</td>
</tr>
<tr>
<td>Redevelopment Agency</td>
<td>5,136,410</td>
<td>2,225,461</td>
<td>2,992,368</td>
<td>-</td>
<td>789,240</td>
<td>7,603,054</td>
<td>489,234</td>
</tr>
<tr>
<td>Low &amp; Moderate Housing</td>
<td>-</td>
<td>2,135,571</td>
<td>20,000</td>
<td>787,490</td>
<td>-</td>
<td>2,531,488</td>
<td>-</td>
</tr>
<tr>
<td>Water Plant &amp; Facilities</td>
<td>-</td>
<td>92,726</td>
<td>63,500</td>
<td>-</td>
<td>67,500</td>
<td>18,098</td>
<td>-</td>
</tr>
<tr>
<td>Electric Plant &amp; Facilities</td>
<td>-</td>
<td>225,003</td>
<td>100,500</td>
<td>-</td>
<td>-</td>
<td>104,232</td>
<td>-</td>
</tr>
<tr>
<td>Wastewater Plant &amp; Facilities</td>
<td>-</td>
<td>463,559</td>
<td>87,000</td>
<td>-</td>
<td>-</td>
<td>88,733</td>
<td>-</td>
</tr>
<tr>
<td>Parks Plant &amp; Facilities</td>
<td>-</td>
<td>31,240</td>
<td>55,376</td>
<td>-</td>
<td>-</td>
<td>43,975</td>
<td>-</td>
</tr>
<tr>
<td>Law Enforcement Grant</td>
<td>-</td>
<td>53,912</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>CDBG Project Fund</td>
<td>-</td>
<td>107</td>
<td>584,687</td>
<td>5,600</td>
<td>-</td>
<td>586,894</td>
<td>-</td>
</tr>
<tr>
<td>CDBG Housing Rehabilitation</td>
<td>569,858</td>
<td>31,701</td>
<td>226,052</td>
<td>-</td>
<td>1,750</td>
<td>225,195</td>
<td>569,858</td>
</tr>
<tr>
<td>CDBG HOME Program</td>
<td>2,961,279</td>
<td>-</td>
<td>110,976</td>
<td>-</td>
<td>-</td>
<td>110,976</td>
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CITY OF SHASTA LAKE
REDEVELOPMENT AGENCY MEETING

MINUTES OF THE REGULAR MEETING HELD TUESDAY, FEBRUARY 16, 2010 AT THE JOHN BEAUDET COMMUNITY CENTER, 1525 MEDIAN AVENUE, SHASTA LAKE, CA.

1.0 REDEVELOPMENT AGENCY MEETING: Convened at 8:32 p.m.

1.1 Board members present: Dixon, Farr, Hurlhey, Lindsay, Lucero, Watkins

1.2 Toni Coates, City Clerk, reported on Disclosure Statements of direct or indirect property interests within the Shasta Dam Area Redevelopment Project area.

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Location</th>
<th>Nature of Interest</th>
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<tbody>
<tr>
<td>Lucero</td>
<td>4061 La Mesa</td>
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<tr>
<td>Dixon</td>
<td>13604 Shasta St.</td>
<td>Property owner</td>
</tr>
<tr>
<td>Watkins</td>
<td>006-810-015 undeveloped parcel</td>
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<tr>
<td>Watkins</td>
<td>17549 Flanagan</td>
<td>Property owner</td>
</tr>
<tr>
<td>Watkins</td>
<td>17577 Flanagan</td>
<td>Property owner</td>
</tr>
<tr>
<td>Lindsay</td>
<td>1435 Rouge Road</td>
<td>Lease</td>
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</table>

2.0 PUBLIC COMMENT PERIOD: None

3.0 CONSENT CALENDAR

3.1 Approval of the minutes for the regular meeting of January 5, 2010.

3.2 Resolution RDA10-03 authorizing the Executive Director to inform the Shasta County Auditor Controller that the Shasta Lake Redevelopment Agency’s Supplemental Education Revenue Augmentation Fund (SERAF) payment of $1,166,708 which, if required, will be paid from the Agency’s available reserves.

Motion/Vote

By motion made, seconded (Lindsay/Lucero), and carried, the Consent Calendar was approved.

4.0 NEW BUSINESS

4.1 Discussion and possible action on Resolution approving a supplemental appropriation in
the amount of $281,657 for the City of Shasta Lake Meade Street Senior Housing Project, funded by the U.S. Department of Housing and Urban Development EDI Special Project Resolution accepting the Redevelopment Agency financial audit for fiscal year ending June 30, 2009.

**Motion/Vote**

By motion made, seconded (Farr/ Lindsay), and carried, Resolution RDA10-04 was approved.

4.2 Discussion and possible action on Resolution authorizing the Executive Director to execute an engagement letter extending auditing services with D.H. Scott for fiscal years 2009-10, 2010-11 and 2011-12.

**Motion/Vote**

By motion made, seconded (Farr/ Lindsay), and carried, Resolution RDA10-04 was approved.

5.0 **ADJOURNMENT**

With no further business to come before the Board, Chairman Watkins adjourned the meeting at 9:45 p.m.

TONI M. COATES, Secretary
AGENDA ITEM
REDEVELOPMENT AGENCY MEETING

TO: Chairperson and Board of Directors
FROM: Carol Martin, Executive Director
DATE: February 23, 2010
SUBJECT: Resolution Adopting the Shasta Lake Redevelopment Agency FY 2009-10 Mid-Year Budget
FILE: F-200-050-017

RECOMMENDATION:
Staff recommends approval of the FY 2009-10 Mid-Year Budget for the Shasta Lake Redevelopment Agency.

BACKGROUND:
Staff met with the Finance Committee on February 9, 2010 to review the proposed FY 2009-10 Mid-Year Budget. If the Agency desires any further budgetary changes, a motion to amend the Budget would be required.

FISCAL IMPACTS:
The Mid-Year Budget revisions include a revenue program of $3,012,368, an expenditure program of $10,134,542 with internal transfers of $787,490 and a transfer out of $1,750.

ATTACHMENTS:
- Resolution adopting the FY 2009-10 Mid-Year Budget.
- Budget Message and Comparative Fund Summary of all funds attached in City Council materials.

DISTRIBUTION:
- Shasta Lake City Council
- Shasta Lake Redevelopment Agency
RESOLUTION RDA 10

A SHASTA LAKE BOARD OF DIRECTOR’S RESOLUTION FOR THE REDEVELOPMENT AGENCY APPROVING AND ADOPTING THE FISCAL YEAR 2009-10 MID-YEAR BUDGET

WHEREAS, the Redevelopment Agency annually appropriates funds to conduct the business of the RDA, and;

WHEREAS, the Board of Directors has reviewed the proposed mid-year budget for the Fiscal Year 2009-10, which incorporates revenue projections of $3,012,368, an expenditure program of $10,134,542 with internal, transfers of $787,490 and a transfer out of $1,750.

NOW, THEREFORE, BE IT RESOLVED that the Shasta Lake Board of Directors hereby approves and adopts the 2009-10 Mid-Year Budget for the Shasta Lake Redevelopment Agency; authorizes the collection of revenues and appropriates the funds necessary to implement its policies, priorities and objectives.

PASSED, APPROVED, AND ADOPTED this 2nd day of March, 2010 by the following vote:

AYES: ________________________________
NOES: ________________________________
ABSENT: ________________________________

GREG WATKINS, Chair
Redevelopment Agency Board

ATTEST:

TONI M. COATES, Secretary