

**Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
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APPROVED MINUTES

Summary of Board of Directors
Mobile Source Committee Meeting
9:30 a.m., Wednesday, May 14, 2008

1. Call to Order – Roll Call: Chair Tim Smith called the meeting to order at 9:38 a.m.

Present: Tim Smith, Chair, Yoriko Kishimoto, Carol Klatt, Jake McGoldrick, Mark Ross, Gayle B. Uilkema (arrived at 9:42 a.m.)

Absent: Tom Bates, Scott Haggerty, John Silva

Also Present: Director Pam Torliatt; Richard Sinkoff, Port of Oakland

2. Public Comment Period: There were none.

3. Approval of Minutes of March 27, 2008: Director McGoldrick moved approval of the minutes; seconded by Director Klatt; carried unanimously without objection.

4. Consideration of Recommendation Authorizing the Executive Officer/APCO to accept up to \$8.4 million in School Bus Replacement Funding from the California Air Resources Board. *The Committee considered recommending Board of Director's approval to adopt a resolution allowing the Executive Officer/APCO to accept up to \$8.4 million in California Goods Movement Bond monies to replace high emitting diesel school buses.*

Jack Colbourn, Director of Administration and Incentives, introduced the item, stating the matter relates to a section of the California Goods Movement Bond, the money is in addition to the \$35 million the District has discussed in the past, and Geraldina Grunbaum, Environmental Planner, would give the presentation.

Geraldina Grunbaum, Environmental Planner, said the goal of the funding is to reduce school children's exposure to harmful air pollutants and provide financial incentives to replace older public school buses with new clean buses. Proposition 1B was approved by voters in November of 2006 which authorized \$193 million to ARB for the Lower-Emission School Bus Program funding (LESBP) and with a priority of replacing pre-1977 public school buses and the District's share of the population of 1977 through 1986 buses. The Air District has identified there are 4 pre-1977 and 100 1977-1986 public school buses.

Ms. Grunbaum said of the overall \$193 million, the Bay Area is being allocated \$8.4 million. The money is being distributed in allotments of \$4.2 million over a two year period each year and must be expended by 2011. In order to accept funds, the Board must submit a resolution authorizing the District to accept the grant award, commit the District to follow all program guidelines and requirements, and direct the Executive Officer/APCO to implement the local program. Therefore, staff requests the Committee make such recommendation to the Board of Directors.

Director McGoldrick questioned the amount the District subsidizes on each bus and asked if there was a matching amount provided by school districts. Ms. Grunbaum said there is no match requirement for bus replacement for pre-1977 and ARB will fund the full cost, or up to \$140,000. For 1977-1986 buses, the school districts are required to do a \$25,000 match. In the past the Air District has covered this with other funding sources and most recently with AB 923 monies. She said the program was initiated in June 2001 and the Air District has been involved since its inception.

Director McGoldrick confirmed with Ms. Grunbaum that prior to Proposition 1B, monies came from a variety of sources; initially school districts were required to provide some of the match, but in 2003/04 there was a policy decision by the Air District to cover the match.

Director McGoldrick confirmed with Damien Breen, Grants Manager, that approximately 64 buses could be replaced over the two-year period based on the \$25,000 match coming from the Mobile Source Incentive Fund.

Director McGoldrick questioned if the Air District held discussions with the school district to provide funding. Jack Broadbent, Executive Officer/APCO, said the reason the Air District began to fund school districts was because they were not signing up for the program because they did not have money to provide a match.

Director Kishimoto confirmed with Mr. Breen that standards for the new buses would meet the most updated emission standards and will be in compliance with the ARB's new rule, which takes them out to the year 2020.

Chair Smith said he fully supported the recommendation of staff and believed it is an excellent program.

Committee Action: Director Kishimoto moved to recommend Board of Director's approval to adopt a resolution allowing the Executive Officer/APCO to accept up to \$8.4 million in California Goods Movement Bond monies to replace high emitting diesel school buses; seconded by Director McGoldrick; carried unanimously without objection.

5. Consideration of Recommendation Authorizing the Executive Officer/APCO to enter into an Administrative Cost Funding Agreement with TFCA County Program Managers. *The Committee considered recommending Board of Director's approval to allow the Executive Officer/APCO to enter into an administrative funding agreement with TFCA County Program Managers.*

Jack Colbourn, Director of Administration and Incentives, said the Air District has been working with the CMA's agencies in an effort to streamline their program and staff will present a way to keep funding moving through the CMA so administrative costs can be maintained to carry out programs.

Andrea Gordon, Senior Environmental Planner, stated the TFCA legislation permits up to 5% of TFCA funds for administrative costs. The Air District allocated 40% of revenues received to the TFCA County program managers to administer the TFCA program at the local level and program managers are allowed to use up to 5% for administrative costs associated with the program each fiscal year. The Air District policy currently does not allow costs to be incurred without an executed funding agreement and agreements are typically not executed until after July 1st.

In October 2007 the Air District and program manager staff formed a working group to discuss TFCA program issues. Program managers suggested a change was needed to ease administrative cost burdens and believed a funding agreement would facilitate such administration.

Therefore, staff requests that the Committee recommend the Board of Directors approve the allocation to each Transportation Fund for Clean Air (TFCA) County Program Manager of up to 5% of its estimated fiscal year 2008/09 revenues for the purpose of administering the TFCA County Program Manager Fund during FY 2008/09; and authorize the Executive Officer/APCO to execute contracts with the County Program Managers for this purpose.

Director Kishimoto confirmed with Ms. Gordon there is a funding gap between April and July and the agreement would address that gap. Director Kishimoto stated TFCA is hard to apply for and questioned if there were additional measures the Air District could pursue. *Mr. Colbourn said he and the Executive Officer/APCO would be attending a meeting with the County and the CMA agencies later this month to discuss progress and could provide a status report of the working group at a future Committee meeting.*

Chair Smith said he appreciates the work done, believed progress is being made, acknowledged historic difficulties in the past and suggested something be done at the legislative level if the problem is not able to be fixed, and Mr. Colbourn said this could be discussed at the May 29, 2008 meeting.

Director Uilkema questioned whether the 5% was an assumed number in terms of administrative costs for each project and voiced concern over possible scrutiny or criticism. Ms. Gordon said the legislation allows for 5% to be used by Program Managers for administrative costs. The costs are reconciled at the end of the fiscal year and agreements in place will ensure their use of up to that amount. Chair Smith believed the larger problem is managing programs without having money available and spent toward administrative costs and he supported the recommendation.

Committee Action: Director McGoldrick moved to recommend Board of Director's approval to allow the Executive Officer/APCO to enter into an administrative funding agreement with TFCA County Program Managers; seconded by Director Uilkema; carried unanimously without objection.

6. Consideration of Recommendation for Approval to Reserve Up to \$5 million in TFCA Funding to Match Goods Movement Bonds for Truck Retrofits at Ports and Intermodal Railyards. *The Committee received an update on the Air District's California Goods Movement Bond (I-Bond) applications and considered recommending Board of Director's approval to reserve \$5 million in TFCA funding to match Goods Movement Bond funds for truck retrofits at port and intermodal railyards.*

Jack Broadbent, Executive Officer/APCO, said the item is one the Air District is hoping to put in place and was discussed (without decision) at a full Board of Directors meeting on April 2, 2008 when the CARE mitigation plan and strategies were presented. Part of the discussion was taking I-Bond monies and targeting them to certain communities.

Damien Breen, Grants Manager, provided a presentation and update on the Goods Movement Bond and discussed match funding for the Bond through the TFCA program, stating in November 2006, voters were authorized \$1 billion to reduce the health risk from freight movement in trade corridors in California. The funds were split into two; \$25 million for early grants statewide, and a main grant of \$225 million.

On February 28, 2008 the ARB allocated \$140 million for the Bay Area Trade Corridor for the next four years, they approved guidelines for the program, awarded \$3.4 million in early grants to the District for an electrical grid system to provide shore power for ships harboring at the APL Terminal in Oakland and to provide retrofits at the Port of Oakland for 75 trucks.

As part of the \$225 million, the ARB required local agencies seeking funding to submit an application. The application was discussed at the April 2nd Board meeting where staff described how funds would be spent. The application was required to be submitted on April 4th and it will be recommended for approval to the CARB on May 22, 2008. Mr. Breen said the application included:

▪ Port Drayage Trucks – Retrofits/Repowers <i>(Retrofits \$5 million; Repower \$1.3 million)</i>	\$6.3 million
▪ Goods Movement Trucks <i>(retrofits, replacements, repowers)</i>	\$17.4 million
▪ Locomotives	\$3.1 million
▪ Marine Harbor Craft	<u>\$4.3 million</u>
Total:	\$31.1 million

Mr. Breen said the total allocation of \$35 million is from \$31.1 million, early grants, and some administrative grants for the first year of the program. Staff applied for \$5 million with a placeholder for \$5 million in matching funds from the TFCA program because the West Oakland Health Risk Assessment indicated there is 3 times the cancer risk from diesel particulates in West Oakland, and staff estimates that 80% is coming from diesel particulate. He said a portion of the report is apportioned to the Port of Oakland and a portion to other trucks, and this was principally how staff structured their proposal. They found trucks at the Port of Oakland are the oldest and highest emitting.

Mr. Breen said the Port of Oakland has determined that, as part of their efforts to reduce pollutants, they will provide \$5 million to match the bond funds for retrofits, which would represent a partnership between all parties in order to get the problem solved. He said 1,000 trucks are being retrofitted, which is a large emissions reduction and roughly 50% of the entire drayage fleet in the Bay Area. In retrospect and comparison to last year's TFCA program amount of an 800 ton reduction, the Air District gets a reduction of 900 tons for \$5 million.

Mr. Breen said unfortunately TFCA is the only eligible source of funding available to match monies. The cost of retrofit devices is approximately \$20,000, which puts independent truckers outside the reach of being able to match dollars, as many incomes are estimated to be around \$30,000 per year. But, with the Air District and Port of Oakland stepping in and with I-Bond monies, this could place those truckers within reach of being able to retrofit their vehicles.

In conclusion, Mr. Breen said the Air District has \$12.7 million projected for FY 2007/08. \$10 million will go to the County Program Managers, \$5 million or 40% will be used to match the Goods Movement Bond, which will still leave \$7.7 in the regional fund. Therefore, staff's recommendation is for the Committee to recommend the Board of Directors reserve \$5 million from TFCA funds for retrofits at Bay Area Ports, and to place a \$5,000 funding cap on the amount of TFCA dollars available for each retrofit device.

Chair Smith questioned what the match requirement is for I-Bond monies. Mr. Breen said there is no match requirement; the State has simply indicated a straight dollar amount - \$5,000 for a retrofit, \$20,000 for a repower, and \$50,000 to replace a truck.

Director McGoldrick questioned what would occur in a total repurchase of a vehicle. Mr. Breen said staff's intention is to stretch those dollars and not do replacements or repowers with the TFCA money, and he described the retrofit process. Mr. Breen said the Mobile Source Incentive Fund can be used to address repowers, which is approximately \$1 million set-aside from the \$2 DMV charge, and staff has received a number of on-road sources looking for money to do such projects.

Director McGoldrick confirmed with Mr. Breen that after December 31, 2009, trucks older than 1993 will not be able to enter the ports. Trucks between 1994 and 2003 will require a retrofit device be installed before they can enter a Port, which he said provides time until 2013 when those trucks will need to be replaced.

Director Kishimoto said in competition with other TFCA projects, she confirmed with Mr. Breen that the calculations have been found to be above emissions, there is a cap on emissions in the TFCA program of \$90,000 per ton, the projects come in at about \$60,000 to \$80,000 per ton, but the difference between this and other TFCA programs is there is a huge benefit of emissions reduction based on the amount of money put into the program.

Director Kishimoto referred to corporate fleet truck drivers like Wal-Mart or others that create a demand for freight. She questioned if there was a way to make them pay more because of their impacts with freight. Mr. Breen said Richard Sinkoff was present from the Port of Oakland who could discuss what they were doing to match funds, but a container or truck fee has been discussed and is still being considered. Director Kishimoto encouraged support that this be initiated.

Director Kishimoto referred to long-term freight, getting trucks off the road, and questioned next generation or electric freight. Mr. Breen said the majority of money set aside is for on-road trucks. As the Air District moves forward the State is interested in going to lowest emissions standard possible and is trying to move everybody to the 2010 type trucks by the year 2020. This will cost about \$6 billion statewide, the Bond provides the incentive to do that for those who need it, and everyone else will need to step up the obligation on their own. He said there is a lot of interest in rail projects, but they are very expensive. This Bond money can be used for that; however, railroads are holding off and want to see how much more incentivized they can get it by pushing it to the end of this program.

Mr. Broadbent said there is another I-Bond adopted and some of that money is being used to allow for double-decking of containers, which is an important step in getting trucks off the road.

Director Ross asked for an explanation of how the retrofit devices work and at what point is there a difference between that and repower, and he also questioned maintenance costs and their lifespan. Mr. Breen described the retrofit devices as add-on canisters comprising of different additives. He said they are added to the exhaust systems of the truck and prevent particulate from being released into the atmosphere, and a repower is where the engine is removed and replaced.

Regarding lifespan of the equipment, Mr. Breen said generally, devices last between 10-15 years and it depends on whether the system is linked to the truck or it is an active or passive system. The active system requires the injection of diesel from the engine to clean the retrofit device, and for this program they are confident the devices will take them to the 2013 deadline. There is additional technology in the

form of urea injection systems which will also be cost-effective, as well. He also stated there is an electrical plug-in system in addition to the diesel injection system which actually burns off particulate.

Director McGoldrick asked what a typical repower costs. Mr. Breen said the engines cost \$40,000 to \$60,000, with I-Bond monies providing 50% of this. With the Mobile Source Incentive Fund, the Air District can provide up to 80% of this. He said this is an option, but many trucks are older and choose replacement over repower.

Director Uilkema confirmed with Mr. Colbourn that truckers were cooperating and responding, that the Air District recently launched a truck management program where a lot of contact and networking has been made, that staff has received over 200 letters of commitments from independent truckers and expect more to follow.

Chair Smith said there was a fair amount of discussion at a previous Mobile Source Committee meeting about the appropriateness of TFCA being used, but questioned what would occur next year. Mr. Breen said the program is a one-time deal and the retrofits for drayage trucks will not be in place next year. When they looked at the economics it made sense to move forward. In upcoming years of the program, replacements will be discussed and I-Bond monies with matching funds can be targeted.

Richard Sinkoff, Director of Environmental Programs and Planning, Port of Oakland, said their Executive Director and Board of Commissioners have worked closely with Air District and ARB staff on the program. He said the Port of Oakland supports the action to reserve the \$5 million, thinks it is important towards the success of the program which is time-sensitive and said the Port wants to materially improve the health risk state of residents in the region.

Mr. Sinkoff said they developed this as one of many initiatives within the larger portions of the Maritime Air Quality Improvement Plan and the Comprehensive Truck Management Plan and the project of retrofitting is tied to an overall program to reduce diesel emissions from Port sources. He described the many sources of emissions such as ships, harbor craft, equipment, and said this component of the drayage trucks takes containers from the yards and moves them onto the rail system or out into the region. There are about 2,000 trucks doing this and the retrofit project would address about half of them.

Regarding effectiveness, Mr. Sinkoff said the Port just celebrated replacement of their 80th truck. They have been working on other projects and said the Vision 2000 Maritime Development Program and Air Quality Component started 10 years ago which has provided several millions to replace and retrofit trucks and equipment. Through this process, they have developed many relationships with suppliers, vendors and staff at the Air District, and he is confident in their ability to attract truckers into the program. In addition, Mr. Sinkoff said many owners/operators are aware of the deadline.

To address Director Kishimoto's questions on how the Port intends to equitably share the burden, Mr. Sinkoff said public funds are being used, users are benefiting, and the Port intends to generate their match of funds through a user fee imposed on the cargo owners. He reminded everyone that on March 18, 2008, the Board of Commissioners took action to approve their Maritime Air Quality Policy Statement which sets their health risk reduction goals from diesel emissions at the Port of Oakland at 85% by 2020, which is consistent with the State's goal. Additionally, their Board also directed Port staff to prepare the ordinance that would impose those fees. Their Port Director has also expressed his intention to fund this particular program in advance through identifying the source of matching funding in the Port's budget. He believes cargo owners are aware they must step up to the plate for the long-term.

Chair Smith referred to Senator Lowenthal's Bill last year and said he believed the Port needed that legislation in order to levy the container fee. Mr. Sinkoff said the Port could use its own legislative authority to impose the fee and their preference is to work with its own ordinance. He discussed the equity of competition in ports and said not all are equal, stating the Southern California ports have a greater share of discretionary cargo and are able to command more of a market share. The Port of Oakland must be more price-sensitive and this is the issue working itself through their staff for calculations. However, they believe they can set a fee that funds this program and infrastructure programs, while not affecting competition.

Chair Smith confirmed with Mr. Breen that as of December 2009, no un-retrofitted trucks, the bulk of which were those between 1994 and 2003, would be allowed to enter the Port.

Mr. Sinkoff said they are working on their Air Quality Program in many areas of the Port to address their long-term vision. An infrastructure design component would include electrification in the rail yard to eliminate the need for diesel-powered cargo equipment and alternative marine power for ships running their engines at berth. He said there are also infrastructure projects that provide more long-term comprehensive benefits for the State and allow them to move cargo projected in a much more environmentally efficient manner, essentially by increasing yield on the infrastructure they have.

Chair Smith questioned if the fee would be imposed for both imports and exports, and Mr. Sinkoff said it would be applied to the non-empty containers as they go in and out of the Port. It is captured in several movements. Chair Smith believed this might add cost and would affect competitiveness, and Mr. Sinkoff said through their programs they have established a stakeholder task force with representatives from industry, and everyone is aware of the fact that air quality is a statewide concern and he believed everyone is willing to carry their fair share of the burden to improve air quality.

Director Kishimoto questioned the amount of the fee, and Mr. Broadbent said it would be approximately \$60 and would also generate resources for improvement projects.

Director Uilkema referred to the fee's implementation and questioned how the outreach of available funds would be marketed to corporate truck fleets, like Wal-Mart, Target or other stores. Mr. Colbourn said those fleets could apply but they would more likely be interested in replacement rather than retrofit. Chair Smith believed the cost would be reflected and burdened by the end consumer as it should, and he agreed that the types of fleets have products the Port carries. Director Uilkema confirmed this primarily would benefit the independent truckers, believed it is an important part of the economy and urged support of the effort.

Mr. Colburn reiterated the receipt of 200 letters from independent truckers and said their recruitment is geared toward those independent truckers. *Mr. Broadbent suggested that staff provide a status report on outreach efforts and progress to date and return to the Committee in a few months.*

Director Kishimoto questioned the appropriateness of having the Air District support the Lowenthal bill. Chair Smith said the Legislative Committee has supported the bill in the past and he did not know whether or not support has been voiced this year. *Mr. Broadbent agreed to bring this item to the next Legislative Committee meeting.*

Committee Action: Director Uilkema moved to recommend Board of Director's approval to reserve \$5 million in TFCA funding to match Goods Movement Bond funds for truck retrofits at port and intermodal railyards; seconded by Director Ross; carried unanimously without objection.

7. Committee Member Comments/Other Business: Chair Smith reported the Committee meeting has been moved to July 10th, which is a Thursday, and he asked Mr. Broadbent to let him know if there are problems with members meeting on Thursdays.

8. Time and Place of Next Meeting: At the call of the Chair.

9. Adjournment: The meeting adjourned at 10:40 a.m.

/s/ Lisa Harper
Lisa Harper
Clerk of the Boards