



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
MOBILE SOURCE COMMITTEE

COMMITTEE MEMBERS

SCOTT HAGGERTY - CHAIR
TOM BATES
CAROL KLATT
NATE MILEY
GAYLE B. UILKEMA

CAROLE GROOM – VICE CHAIR
JENNIFER HOSTERMAN
ERIC MAR
MARK ROSS

THURSDAY
March 25, 2010
9:30 A.M.

4TH FLOOR CONFERENCE ROOM
939 ELLIS STREET
SAN FRANCISCO, CA 94109

AGENDA

1. **CALL TO ORDER - ROLL CALL**

2. **PUBLIC COMMENT PERIOD**

(Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3) Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Committee's subject matter jurisdiction. Speakers will be limited to three (3) minutes each.

3. **APPROVAL OF MINUTES OF FEBRUARY 25, 2010**

4. **CONSIDERATION OF ACCEPTING THE 3RD AND 4TH INSTALLMENTS OF GOODS MOVEMENT BOND FUNDING FOR THE LOWER EMISSION SCHOOL BUS PROGRAM**

D. Breen/5041

dbreen@baaqmd.gov

The Committee will consider recommending Board of Directors acceptance of the 3rd and 4th installments of Lower Emission School Bus Program Bond funding from the California Air Resources Board.

5. **CONSIDERATION OF EXTENSION OF CONTRACTS AND REQUEST FOR ADDITIONAL ALLOCATION OF MOBILE SOURCE INCENTIVE FUNDS FOR VEHICLE BUY BACK PROGRAM**

D. Breen/5041

dbreen@baaqmd.gov

The Committee will consider recommending Board of Directors authorization of the Executive Officer/APCO to execute contract extensions for vehicle scrapping and direct mail services, and will consider the allocation of an additional \$6.8 million in Mobile Source Incentive Funds during fiscal years 2009/2010 and 2010/2011.

6. **UPDATE ON INCENTIVES EXPENDITURES AND EMISSIONS REDUCTIONS FOR CALENDAR YEAR 2009 AND PLANNING FOR CALENDAR YEAR 2010**

D. Breen/5041

dbreen@baaqmd.gov

The Committee will receive an informational report on the expenditure of incentive funds and the emissions reductions benefit from projects executed for calendar year 2009. Additionally, staff will update the Committee on upcoming challenges for the 2010 calendar year and plans for current cycle funding.

7. **COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

Any member of the Committee, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).

8. **TIME AND PLACE OF NEXT MEETING:** 9:30 a.m., Thursday, April 22, 2010, 939 Ellis Street, 4th Floor Conference Room, San Francisco, CA 94109.

9. **ADJOURNMENT**

**CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET
SAN FRANCISCO, CA 94109**

**(415) 749-5130
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov**

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Executive Office should be given at least three working days prior to the date of the meeting so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the District's offices at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the District's website (www.baaqmd.gov) at that time.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF DISTRICT MEETINGS

MARCH 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	17	9:45 a.m.	Board Room
Joint Policy Committee	Friday	19	10:00 a.m.	MTC Auditorium 101 – 8 th Street Oakland, CA 94607
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Wednesday	24	1:00 p.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	25	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Public Outreach Committee <i>(At the Call of the Chair)</i>	Monday	29	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Legislative Committee – <i>(At the Call of the Chair)</i>	Monday	29	10:00 a.m.	4 th Floor Conf. Room

APRIL 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	7	9:45 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(At the Call of the Chair)</i>	Monday	12	9:30 a.m.	Board Room
Advisory Council Regular Meeting	Wednesday	14	9:00 a.m. – 11:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i> - RECHEDULED TO THURSDAY, APRIL 29, 2010	Thursday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Wednesday	28	1:00 p.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	29	9:30 a.m.	4 th Floor Conf. Room

MAY 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	5	9:45 a.m.	Board Room
Advisory Council Regular Meeting	Wednesday	12	9:00 a.m. – 11:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	19	9:45 a.m.	Board Room
Joint Policy Committee	Friday	21	10:00 a.m.	MTC Auditorium 101 – 8 th Street Oakland, CA 94607
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	27	9:30 a.m.	4 th Floor Conf. Room

HL – 3/16/10 (4:50 p.m.)

P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Haggerty and Members
of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 18, 2010

Re: Mobile Source Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Mobile Source Committee meeting of February 25, 2010.

DISCUSSION

Attached for your review and approval are the draft minutes of the February 25, 2010 Mobile Source Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared By: Lisa Harper
Reviewed by: Jennifer Chicconi

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 749-5000

DRAFT MINUTES

Summary of Board of Directors
Mobile Source Committee Meeting
Thursday, February 25, 2010
9:30 a.m.

CALL TO ORDER: Chairperson Scott Haggerty called the meeting to order at 9:30 a.m.

Roll Call: Scott Haggerty, Chairperson; Vice Chairperson Carole Groom; Directors Carol Klatt, Eric Mar, Nate Miley and Mark Ross

Absent: Directors Tom Bates, Jennifer Hosterman, and Gayle B. Uilkema

Public Comments: There were no public comments

Approval of Minutes: Mobile Source Committee Meeting of January 28, 2010

Committee Action: Director Ross made a motion to approve the January 28, 2010 Mobile Source Committee minutes; seconded by Director Klatt; carried unanimously without objection.

Consideration of Projects with Proposed Grant Awards over \$100,000

Supervising Environmental Planner, Anthony Fournier, provided the staff report and background of the Carl Moyer Program (CMP) Year 11 projects with proposed grant awards over \$100,000 and the Transportation Fund for Clean Air (TFCA) projects. He said since the last Committee meeting, there have been no projects evaluated and deemed eligible under the TFCA that have grant awards over \$100,000, and the focus of the presentation would be on CMP projects.

He reviewed Year 11 of the CMP, stating that on February 4, 2010 the Board approved participation in Year 11, authorized the Executive Officer/APCO to execute contracts and amendments with grant awards up to \$100,000, and to date the District Board of Directors has allocated approximately \$19 million, to 50 projects with grant awards over \$100,000.

For the Committee's consideration, there are 7 projects with grant awards over \$100,000, for a total of 23 engines, \$1,809,803 in total awards, and over 136 tons of lifetime emission reductions. He presented a pie chart of Year 11 CMP/MSIF funding distribution as of February 10, 2010 which included all projects greater than, and less than, \$100,000.

Mr. Fournier indicated that staff was requested by the Committee at its last meeting to provide information on agricultural sector outreach, and he reviewed Year 11 agricultural outreach which resulted in 36 projects which replaced 77 agricultural engines, as follows:

- 9 presentations given to Farm Bureaus and agricultural associations on funding
- Over 300 notifications were sent out
- CMP articles were placed in the Napa, and Santa Clara Farm Bureau newsletters
- Agricultural funding information was available at equipment vendor locations and events
- Agricultural funding information was posted on agricultural organizations' websites

Committee Comments/Questions:

Director Groom questioned and confirmed there has been great interest and enthusiasm with farm bureaus, and she noted that San Mateo County Farm Bureau was included in outreach.

Director Ross questioned and confirmed with staff that tugs listed in Attachment 2 operate mostly in Alameda area and areas around the Port of Richmond.

Public Comments: None

Committee Action: Director Ross made a motion to recommend the Board of Directors to approve Carl Moyer Program Year 11 projects with proposed grant awards over \$100,000 listed on Attachment 1; Approve Transportation Fund for Clean Air FY 2009/2010 projects with proposed grant awards over \$100,000 listed on Attachment 2; and Authorize the Executive Officer/APCO to enter into agreements for the recommended Carl Moyer Program Year 11, and TFCA FY 2009/2010 projects; seconded by Director Mar; carried unanimously without objection.

Consideration of Air District Participation in Year 12 of the Carl Moyer Program

Supervising Environmental Planner Anthony Fournier provided the staff report of the Carl Moyer Program (CMP) Year 12 and discussed funding for the Year 12 cycle, as follows:

- Total CARB allocation of up to \$16 million
 - \$14.5 million requested for CMP Year 12
 - \$1.5 million requested for CMP multi-district funds
 - 5% allocation for administrative costs
- Proposed MSIF allocation
 - \$1.5 million for Agricultural Assistance Program
 - \$2.8 million required District match
 - \$3.7 million for additional CMP projects

Mr. Fournier noted that staff will monitor interest in applications received in the agricultural sector and return to the Committee if there is a need for more funding. He then presented an overview of administrative processes for the Year 12 cycle, stating that staff will be evaluating projects according to the 2008 CARB CMP guidelines, will be prioritizing projects that reduce emissions in impacted communities, projects over \$100,000 will be brought to the Board for approval, multi-District funds will be used for the on-road Voucher Incentive Program (VIP), and staff expects to start accepting applications in early April 2010 and awarding funds until fully allocated.

Mr. Fournier requested the Committee recommend Board of Directors' approval to adopt a resolution to authorize the Executive Officer/APCO to execute all necessary agreements with the California Air Resources Board (CARB) relating to the Air District's receipt of CMP funds for fiscal year 2009-2010 (Program Year 12); allocate \$1.5 million in Mobile Source Incentive Funding to the Agricultural Assistance Program for the upcoming funding cycle; and allocate \$6.5 million in Mobile Source Incentive Funding for projects eligible for funding under the CMP.

Committee Discussion/Comments:

Director Mar confirmed that at least 50% of the funds will be dedicated and asked that Mr. Fournier explain the Year 11 process. Mr. Fournier said a map developed by the CARE program identifies six disproportionately impacted communities, and within those six communities, if projects reduce emissions in any of those areas, they are prioritized by setting aside half of the funding. In year's past, there has been well over 50% in funding awarded.

Director Haggerty questioned if CARE criteria will be implementing the economically constrained communities and Mr. Breen said two different groups exist; impacted and highly impacted and staff is looking at areas north of Berkeley and north of Richmond, as well as areas near Livermore, East Palo Alto, Walnut Creek (as clarified by Director Ross), and Fair Oaks may be included.

Mr. Breen added that in terms of the marine projects, because of where they operate, impacted areas include Richmond, San Francisco and Oakland.

Public Comments: None

Committee Action: Director Mar made a motion to recommend Board of Directors' approval to adopt a resolution to authorize the Executive Officer/APCO to execute all necessary agreements with the California Air Resources Board (CARB) relating to the Air District's receipt of CMP funds for fiscal year 2009-2010 (Program Year 12); allocate \$1.5 million in Mobile Source Incentive Funding to the Agricultural Assistance Program for the upcoming funding cycle; and allocate \$6.5 million in Mobile Source Incentive Funding for projects eligible for funding under the CMP; seconded by Director Ross; carried unanimously without objection.

Transportation Fund for Clean Air (TFCA) County Program Manager Audit Report

Air Quality Program Manager, Karen Schkolnick, presented the Transportation Fund for Clean Air (TFCA) County Program Manager Audit Report, stating that each year, the Health and Safety code requires a fiscal audit of TFCA project or programs at least every two years. The District contracted with Maze and Associates to conduct the audit, which covered all projects completed as of June 30, 2008. After field work was completed, Maze and Associates issued nine individual audit reports for review by the individual County Program Managers and the Air District, which is included in the staff report packet.

Ms. Schkolnick reported positive results of the audit, given a few exceptions:

2008-1 Maximum Allowable Administrative Costs: Napa County Transportation and Planning Agency (NCTPA) exceeded the amount of administrative funds allowed under the agreement, which is limited to 5% each year, or \$913.44. NCTPA returned funds back into the TFCA account and has undertaken internal controls. She said the District also updated its agreements and forms

to reinforce program requirements and will be conducting site visits regarding use of proper methodology for calculating administrative costs.

2008-2: Reporting of Administrative Costs: Napa County Transportation and Planning Agency (NCTPA) overstated the approved administrative costs in their Annual Report to the Air District, submitted in November last year. To correct this, NCTPA has undertaken a new accounting tracking and monitoring system and has undertaken additional internal controls to ensure program costs are correctly tracked and reported. The measures of the Air District as mentioned above will also ensure that Program Managers consistently utilize the proper methodology for accounting and reporting administrative costs.

Ms. Schkolnick stated that staff is recommending that the Committee recommend that the Board of Directors receive and file the results of the TFCA Audit Report #11, an audit of the TFCA County Program Manager Fund, including the auditor's findings and recommendations to improve the administration and fiscal management of the TFCA program.

Committee Discussion/Comments:

Chair Haggerty confirmed with Ms. Schkolnick that NCTPA recently had administrative changes in their agency and the structure of the CMA during this time, which has since been corrected and now has a full understanding of program requirements.

Public Comment: None

Committee Action: Director Klatt made a motion to recommend that the Board of Directors receive and file the results of the TFCA Audit Report #11, an audit of the TFCA County Program Manager Fund, including the auditor's findings and recommendations to improve the administration and fiscal management of the TFCA program; Director Groom seconded the motion; unanimously approved without objection.

Consideration of Accepting up to \$17.5 million from Year 1 of the California Goods Movement Bond Program for On-Road Trucks

Director of Strategic Incentives, Damian Breen, gave an overview and background of the California Goods Movement Bond Program for on-road trucks, stating that in February 2008, the program was established to reduce health risk from freight movement in California trade corridors. \$140 million was dedicated to cleaning up emissions from goods movement over a four year period, which equates to \$35 million a year for four years dependent on bond sales. The funding was not exclusively available to the District and other local agencies involved in goods movement could apply for funding. The District is expecting to receive monies as part of Year 1 of the program.

Mr. Breen presented a breakdown of funding allocations, and noted that \$1.4 million in administrative funding to cover District costs has been removed and \$2.8 million in an early grant has been removed, leaving the following dollars available for projects:

Trucks at Ports and Intermodal Rail Yards:	\$6.3 million
Other Goods Movement Trucks:	\$17.4 million
Locomotives:	\$3.1 million
Marine Harbor Craft:	\$31.1 million

Mr. Breen said the program provided opportunity for the Air District to remove emissions; however, multiple delays in State bond sales have affected funding up until now, two years after the program was launched. Additionally, available funding comes from a special bond type; Build America Bonds, which do not allow the District to recover administrative costs for the program.

On February 9, 2010, the CARB notified the Air District that \$17.5 million was available for on-road trucks from Year 1 of the program. Those grant dollars available total \$16.5 million and have no administrative costs associated with them. However, the CARB has proposed to provide the District with up to \$1 million in administrative costs for this program based on the different sale of a different state bond in the spring. The amount offered is therefore slightly reduced, and both agencies are working through issues surrounding the allocation, but because the Board previously authorized acceptance of administrative funding, the request to accept up to \$17.5 million should cover whatever final allocation amount both agencies settle on.

Mr. Breen discussed the toxic health risk from diesel particulate emissions from heavy duty trucks, noted that there are over 30,000 heavy duty vehicles registered in the Bay Area that need to be cleaned up to comply with a new CARB regulation, and funding discussed will provide the most flexible and largest source of dedicated funds available to truckers in order to comply with the regulation. By accepting the funding, the District could reduce emissions by over 1% in the region, or .03 tons per day, which is substantial in terms of air quality and health benefits. However, there is no guarantee for administrative funding for monies. In order to successfully administer the funding, staff recommends the transfer of up to \$200,000 from Reserves to support the effort, pending the Budget and Finance Committee for final determination and referral to the Board. If funding was declined due to tight timelines, grantees on the program need to have contracts signed by June 30, 2010 and the most likely outcome is that funding would revert to the State legislature or be given to another local air district or local agency for distribution.

Should the Committee choose to recommend acceptance of the funding, staff will continue to put pressure on the CARB to deliver the administrative funding promised for the program and requested that the Committee recommend to the Board of Directors approval of up to \$17.5 million in California Goods Movement Bond funding and authorization for the Executive Officer/APCO to execute all contracts and contingencies to expend funding pending endorsement by the Board Budget and Finance Committee.

Director Ross made a motion to support staff's recommendation, which was seconded by Director Groom.

Committee Discussion/Comments:

Director Miley said he appreciates this and questioned the worst case scenario for the District. Mr. Breen said the District has a conservative estimate of the budget imbalance being at approximately \$2.2 million. This program would increase that by about \$200,000.

Director Miley supported the recommendation, noting that it is an 11% match, there will be trucks retrofitted, replaced, improvement in air quality and health benefits. He confirmed that most would go to address truck traffic along Bay Area highways. Director Miley acknowledged the good work of the District, noting that the District and its public officials often do not get recognized for their work.

Chair Haggerty questioned sure how the District could address the interstate truck traffic, such as a Yellow, Swift, ABF, or Conway. He agreed that companies typically turn over their fleet more often, but he believed the District was not getting at the root problem. Mr. Breen explained that for this program, applications went into the system in 2008 when the funds were supposed to arrive, inspectors and outreach staff contacted all major, registered haulers, funds available are to address trucks that operate in California only, and currently the District has 350 trucks awaiting replacement and approximately 700 trucks awaiting retrofit.

Mr. Broadbent noted that these are on-road trucks which operate in the Bay Area and not necessary drayage trucks which access the Port of Oakland.

Director Haggerty said the major companies are most likely registered in another state, but possibly staff could reach out to regional managers for those operating in California to talk to them and find that the majority of fleets are relatively new. The trucks that truly need funding are cement and gravel trucks which are working inside communities. Mr. Breen noted that staff targeted funding to the Bay Area, noted gravel and cement haulers are not eligible for goods movement which was determined by CARB. However, through the Vehicle Incentive Program (VIP), the District pushed the CARB to offer near equivalent funding as the TFCA program. The VIP under the Carl Moyer Program provides \$50,000 to replace a truck and this can apply to those types of haulers. In addition, because of the way the funding structure and guidelines are set up, staff cannot target these trucks, but staff believes there will be changes with the legislation which will allow staff to apply more of the available funding for these trucks.

Mr. Broadbent suggested returning at a future committee meeting with an outreach plan that shows how the District will address these categories of trucks. He noted that CARB is likely going to amend the on-road rule to provide more time and therefore, the District may be in a position to address the matter.

Director Groom asked for an explanation of why the staff report lists locomotives at \$3.1 million and the handout identifies locomotives as transferred to the Port Truck Program. Mr. Breen noted the table identifies the total funding request for the first year of the program, and it was part of the Committee's decision to transfer those funds to address the problem with the Oakland truck population.

Mr. Broadbent added that it is a growing concern that the District is started having to dip into its own general revenue money to make this work. Given the Board's discussion at the last Board meeting regarding reserves, staff will go to the Budget and Finance Committee and recommend taking \$200,000 out of the reserves just to administer this money. He noted other air districts are also concerned and CARB is in the same situation the District is, as they rely on administrative funds from the I-Bonds as well, and they are not receiving it either due to the lack of bond sales.

Director Haggerty questioned whether there was a legislative remedy, and Mr. Broadbent was not sure but everybody is trying to push the State to get the District the money as soon as possible for at least this portion of it. Director Haggerty suggested discussing the need for funding to include administrative funding with legislators.

Director Miley confirmed the District had approximately \$13.8 million, and while he supported staff's recommendation, he is somewhat rigid when dipping into reserves. However, it is a good expenditure and he hoped it did not become a precedent.

Committee Action: Director Ross made a motion to recommend Board of Directors' acceptance of up to \$17.5 million in funding from Year 1 of the California Goods Movement Bond program for the retrofit and replacement of on-road trucks; and authorize the Executive Officer/APCO to execute all contracts and contingencies to extend funding, pending endorsement by the Board of Directors Budget and Finance Committee's recommendation to designate funding from reserves to the FY 2009/10 budget for program administration; seconded by Director Groom; carried unanimously without objection.

Committee Member Comments: None

Next Meeting: 9:30 a.m., Thursday, March 25, 2010
939 Ellis Street, 4th Floor Conference Room

Adjournment: Meeting adjourned at 10:08 a.m.

Lisa Harper
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 18, 2010

Re: Consideration of Accepting the 3rd and 4th Installments of Goods
Movement Bond Funding for the Lower Emission School Bus Program

RECOMMENDED ACTION

Staff is requesting that the Committee:

- Recommend the Board of Directors accept the third (3rd) and fourth (4th) installments of LESBP Bond funding, \$2,462,351 and \$25,200 respectively, from the ARB.

BACKGROUND

The Lower-Emission School Bus Program (LESBP) was adopted by the California Air Resources Board (ARB) in fiscal year (FY) 2000-2001. The goals of the LESBP are to:

- Purchase new clean school buses, and
- Retrofit diesel school buses with particulate matter (PM) emission control devices.

The Air District has been involved with the LESBP since its inception and has expended nearly \$15 million in Non-Goods Movement Bond (I-Bond) State funding to replace 100 school buses and retrofit over 300 school buses.

On May 21, 2008, the Air District Board of Directors approved Resolution No. 2008-03 which authorized the acceptance of up to \$8.4 million in I-Bond funding for LESBP from ARB. Due to weak state bond sales, only \$1.26 million of this funding has been delivered to the Air District to date. On February 24, 2010, the Air District was notified that \$2,462,351 and \$25,200 was available from the third (3rd) and fourth (4th) installments of LESBP I-Bond funding respectively. This report provides staff's recommendation on the acceptance of this funding and possible budget impacts.

DISCUSSION

I-Bond funds were to be used to rapidly replace any remaining pre-1977 public school buses and then to either retrofit or replace as many of the vehicles as possible in the existing school bus fleet. However, on December 23, 2008, due to the unavailability of Bond funding, ARB placed a hold on all I-Bond-funded projects.

Since that time, the ARB has distributed I-Bond LESBP funds in four installments. In the first installment, this Air District was bypassed in favor of communities deemed by ARB to be the most impacted by criteria pollutants (the San Joaquin Valley and Los Angeles areas). In October 2009, the Air District received \$1.26 million from ARB as part of the second I-Bond installment. However, this second installment consisted of funding derived from “Build America” Bonds (BAB), which did not include funds for administrative costs. This funding and additional money from the American Resource and Recovery Act (ARRA) is currently being used to retrofit over 80 school buses.

More recent bond sales have made available the third and fourth installments of I-Bond funds to the LESBP. The third installment, from another BAB sale, makes \$2,462,351 available to the Air District for retrofit and replacement projects, with no funds for administrative costs. However, the fourth installment, from a non-BAB sale, allocates \$25,200 to the Air District for administrative costs only.

BUDGET CONSIDERATION / FINANCIAL IMPACT

The acceptance of the third installment of I-Bond funds would have budget impacts on the Air District as the administrative costs to distribute these “pass-through” funds is insufficient (as previously mentioned only \$25,200 from the fourth bond installment). ARB has indicated that it will seek to provide additional administrative costs for this and other I-Bond programs based on the spring sales of California State bonds. However, the timing and actual receipt of this funding is by no means certain. Staff salaries for the program are contained in the FY 09/10 budget and were based on the receipt of administrative funding from the I-Bond program.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Geraldina Grünbaum
Reviewed by: Damian Breen

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 18, 2010

Re: Consideration of Extension of Contracts and Request for Additional
Allocation of Mobile Source Incentive Funds for Vehicle Buy Back Program

RECOMMENDED ACTION

Request that the Committee recommend that the Board of Directors:

- 1) Authorize the Executive Officer/APCO to execute contract extensions for vehicle scrapping services with Environmental Engineering Studies, Inc. and Pick-N-Pull to distribute up to \$6.65 million in Mobile Source Incentive Funds for services through December 31, 2010; and
- 2) Authorize the Executive Officer/APCO to execute a contract extension for \$150,000 with Direct Mail Center, Inc. for program advertising via mail outs through December 31, 2010, and
- 3) Allocate an additional \$1.2 million in Mobile Source Incentive Funds (MSIF) to fund the Vehicle Buy Back Program during fiscal year 2009/2010, and increase the Air District's Vehicle Buy Back Program FY 2009/10 budget accordingly.

BACKGROUND

The Vehicle Buy Back (VBB) Program is a voluntary program that takes older, higher-polluting, light-duty vehicles off the road. The Bay Area Air Quality Management District (Air District) contracts with vehicle dismantlers to pay Bay Area vehicle owners \$1,000 to retire their model year (MY) 1989 and older vehicles. The VBB Program is funded primarily through the Air District's Mobile Source Incentive Fund (MSIF). A separate program operated by the California Bureau of Automotive Repair (BAR) retires vehicles that fail their required Smog Check. The two programs currently do not overlap.

On November 18, 2009, the Board approved additional funding and contract extensions for the VBB Program to continue its operation until April 2010, at which time the BAR had planned to launch an expanded program that would cover vehicles currently funded by the Air District. This report describes some delays in the BAR program and the need to continue the Air District program for the next few months.

DISCUSSION

ARB and BAR staff recently informed the Air District that the anticipated launch date of the expanded BAR program is July 2010 at the earliest, and it is possible that the date will be later in 2010.

Due to the continuing success of the VBB Program and the delay in the launch of the upcoming BAR program, staff is proposing to extend VBB Program contracts and add additional funding to the program, to allow it to operate until the BAR program launches or until December 31, 2010, whichever occurs first.

The VBB Program continues to be a very successful emissions reduction program. During calendar year 2009, the VBB program retired 6,616 vehicles (up from 4,494 in 2008), and achieved lifetime emissions reductions of 745 tons of reactive organic gases (ROG), oxides of nitrogen (NOx), and particulate matter (PM). The cost-effectiveness of the program is currently \$9,864/ton of weighted emissions reductions, which compares very favorably to other grant initiatives. Since a program expansion on July 1, 2009, the monthly retirement rate shows an almost 116% increase in vehicles retired compared to the previous calendar year.

The recommended actions will achieve maximum emissions reductions from the current program, avoid confusion among vehicle owners by ending when the BAR program begins, and supports efforts being made to retire vehicles as part of the current Air District smoking vehicles campaign. To accomplish this, extensions are required for the contracts with Environmental Engineering Studies, Inc. and Pick-N-Pull for scrapping services, and with Direct Mail Center (a contractor who assists with advertising via mail outs to owners of vehicles of model year (MY) 1989 and greater). For the remainder of FY 2009/2010, \$1.2 million is required for program operation; an additional \$5.6 million in funding for subsequent operations (5.45 million for vehicle scrapage and \$150,000 for the Direct Mail Center contract) will be incorporated in the FY 2010/2011 Air District Budget.

Staff is in contact with BAR and ARB, and will continue to monitor the development of the expanded State program closely. In the likely event that the BAR program runs out of funding after its launch, staff may return to this committee with a proposal on reactivating the Air District VBB Program.

BUDGET CONSIDERATION / FINANCIAL IMPACT:

Staff's recommendation would result in a net increase to the Air District's Strategic Incentives Division Vehicle Buy Back Program FY 2009/2010 budget in the amount of up to \$1.2 million. The requested amount of additional funding to cover costs associated with the retirement of vehicles would come from the Mobile Source Incentive Fund.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: David R. Wiley
Reviewed by: Damian Breen

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 18, 2010

Re: Update on Incentives Expenditures and Emissions Reductions for Calendar
Year 2009 and Planning for Calendar Year 2010

RECOMMENDED ACTION

None; informational report. Receive and file.

BACKGROUND

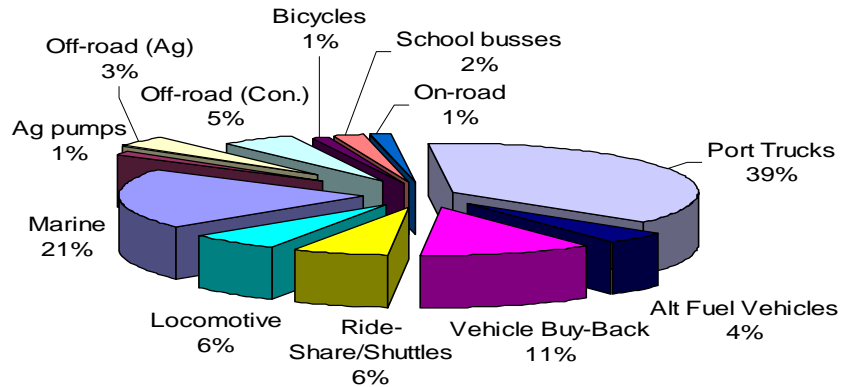
Annually, the Bay Area Air Quality Management District's (Air District) distributes approximately \$60 million in grant funding to private and public entities within its nine-county jurisdiction. In order to assess the effectiveness of this funding distribution, staff has this year gone through a process of evaluating results of the previous year program, upcoming regulatory requirements, health and air quality needs. Staff will update the Committee on the results of expenditures over the last calendar year and discuss important upcoming regulatory deadlines that will impact funding sources over the next calendar year.

DISCUSSION

As part of this calendar year's (2009) assessment, staff utilized a mix of different methodologies including actual dollars spent to get projects on the ground and Board of Directors (Board) commitment of funds to get an overall picture of how the Air District incentives programs were performing. This methodology underreports the number of projects actually accomplished and emissions reduced in certain categories due to the fact that not all of the projects (for example supplemental retrofit projects at the Port of Oakland) completed during that time were invoiced to the Air District. However, this reporting methodology does give a snapshot in time of Air District program performance. It also avoids re-reporting information from previous years which would artificially inflate program statistics. Staff believes that this provides the best overall indicator of progress towards achieving programs goals.

As part of this analysis staff has chosen to represent funding distributed by equipment category, as illustrated by the following figure:

Figure 1 - Grants by Equipment Type



As you can see by this chart, the Air District has funded a broadly diverse set of projects over the last calendar year. The chart represents over 7,500 pieces of separate equipment either retired, retrofitted or purchased with District funds and lifetime emissions reductions of 159 tons of particulate matter (PM), 1,788 tons of nitrogen oxides (NOx), 530 tons of reactive organic gases (ROG) and 99,000 tons of carbon dioxide (CO2).

Additionally, in analyzing this data, staff has discerned a distinct impact of regulatory activity on the demand for funding. Equipment categories with impending regulatory deadlines, such as off-road equipment (construction and agricultural equipment), port trucks, the marine industry (primarily harbor craft) are those where there were significantly increased interest and successful applications for funding. It should be also noted that with a number of impending regulatory deadlines this year, that it is likely that this trend will continue.

Overall Impacts

In looking at these numbers, is important to put them in context. While grant funding has significantly increased over the last calendar year, the amount of emissions reductions from the incentives program still remains in the fractions of a percent in terms of the overall emissions from on- and off-road mobile sources. However, in terms of certain equipment categories such as port trucks and the marine harbor craft, grant programs have been hugely successful in impacting emissions reductions in those industries.

We estimate by the end of the Port Truck Program, over 60% of the vehicles in service at the Port of Oakland will be compliant with state regulations based on grants received from the Air District. In the marine sector, 178 from the 1,183 vessels that operate in the area have been upgraded to cleaner engines with grant funding. As many of these harbor craft were multi-engine vessels, the emissions impact of this effort equates to an almost 20% emissions reduction from that source category.

Calendar Year 2010

Looking forward in this calendar year, we see a number of impending regulatory deadlines that will impact the funding available, the demand from industry and the public sector, and the direction of the incentives programs. These are as follows:

On-road Rule: Particulate emissions from on-road trucks continue to be the leading source of health risk in the Bay Area. In fact, these vehicles are responsible for up to 85% of the total cancer health risk in the basin and are the major driver of health impacts in communities along Bay Area highways. At present, the California Air Resources Board (ARB) is considering delaying the requirements of their on-road regulation for two years due to the downturn in the economy and reduced trucking activity. This would open up a number of funding sources (Carl Moyer/Mobile Sources Incentives Fund (MSIF)) to the on-road trucking community. With over 30,000 heavy duty vehicles registered here in the Bay Area, this will be an important portion of our activities in the upcoming calendar year.

Shore-Power: ARB's upcoming shore-power regulation which requires oceangoing vessels to plug-in while at berth at California ports is scheduled to go into effect 2014. However, due to the complexity and lead time necessary for these projects, the majority of construction of the equipment needed will begin over the next two years. Staff expects demand for incentive dollars to assist with the ship-side and shore-side retrofit of oceangoing vessels to increase over the next calendar year.

Agricultural Pumps: In addition to the other two regulations, ARB also has a regulation that goes into effect for agricultural equipment at the end of December 2010. This regulation requires the upgrade of pre-1997 agricultural engines with horsepower between 100 and 750 to best available standards. Staff expects this regulation to increase demand for the MSIF agricultural assistance program over the next period.

Electric Vehicles (EV): With many of the major automotive manufacturers producing their first or latest electric vehicles this spring, it will be important for the Air District play a role in incentivizing their adoption with the public. Staff sees the widespread deployment of this technology as being key to both criteria and greenhouse gas emissions reductions for the air basin in the future. Staff intends to come back to the Committee with specific recommendations for this program at a future meeting.

Other Initiatives: Outside of the realm of ARB regulations, staff also believes the Air District must continue to invest in shuttle and ridesharing projects as a way to increase ridership of public transportation and reduce both criteria and greenhouse gas emissions.

BUDGET CONSIDERATION / FINANCIAL IMPACT:

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Damian Breen
Reviewed by: Jean Roggenkamp