BAY AREA AIR QUALITY MANAGEMENT DISTRICT

BOARD OF DIRECTORS
MOBILE SOURCE COMMITTEE

COMMITTEE MEMBERS

TIM SMITH - CHAIR	JAKE McGOLDRICK – VICE CHAIR
TOM BATES	SCOTT HAGGERTY
JERRY HILL	CAROL KLATT
MICHAEL SHIMANSKY	JOHN SILVA
PAMELA TORLIATT	

MONDAY
SEPTEMBER 11, 2006 **FOURTH FLOOR CONFERENCE ROOM**
9:30 A.M. **DISTRICT OFFICES**

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 JULY 17, 2006**

4. **VEHICLE INCENTIVE PROGRAM FOR FISCAL YEAR 2006/2007** **J. Colborun/5192**
jcolbourn@baaqmd.gov

The Committee will consider recommending Board of Directors' approval of the Vehicle Incentive Program (VIP) for fiscal year 2006/2007, including: a) allocation of $600,000 in Transportation Fund for Clean Air (TFCA) Regional Funds for the fiscal year 2006/2007 VIP funding cycle; and b) approval of the VIP guidelines.

5. **TRANSPORTATION FUND FOR CLEAN AIR (TFCA) SAN FRANCISCO COUNTY PROGRAM MANAGER EXPENDITURE PLAN FOR FISCAL YEAR 2006/2007** **J. Roggenkamp/4646**
jroggenkamp@baaqmd.gov

The Committee will consider recommending Board of Directors' approval of a plug-in hybrid demonstration project in the fiscal year 2006/2007 TFCA San Francisco County Program Manager expenditure plan.

6. **ALLOCATION OF MOBILE SOURCE INCENTIVE FUND REVENUES TO THE LOWER-EMISSION SCHOOL BUS PROGRAM** **J. Colborun/5192**
jcolborun@baaqmd.gov

The Committee will consider recommending Board of Directors' approval of the allocation of $2,240,000 in Mobile Source Incentive Fund revenues to fund the Lower-Emission School Bus Program.

7. **DIRECT MAIL SERVICE CONTRACTOR SELECTION FOR THE VEHICLE BUY-BACK PROGRAM** **J. Colbourn/5192**
jcolbourn@baaqmd.gov

The Committee will consider recommending Board of Directors' approval of Direct Mail Center as the contractor for the FY 2006/2007 Vehicle Buy-Back Program direct mail service provider and authorization to the Executive Officer to execute a contract for up to $88,935 to provide such service.

8. **2005 OZONE STRATEGY FURTHER STUDY MEASURE 18: INDIRECT SOURCE MITIGATION PROGRAM** **H. Hilken/4642**
hhilken@baaqmd.gov

Staff will provide a report on indirect source control programs under evaluation.

9. **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).

10. **TIME AND PLACE OF NEXT MEETING: 9:30 A.M., MONDAY, OCTOBER 16, 2006, 939 ELLIS STREET, SAN FRANCISCO, CA**

11. **ADJOURNMENT**

CONTACT CLERK OF THE BOARDS - 939 ELLIS STREET **(415) 749-4965**
SAN FRANCISCO, CA 94109 **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 Clerk's Office should be given at least three working days prior to the date of the meeting so that arrangements can be made accordingly.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and Members
of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 23, 2006

Re: Mobile Source Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Mobile Source Committee meeting of July 17, 2006.

DISCUSSION

Attached for your review and approval are the draft minutes of the July 17, 2006, Mobile Source Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

AGENDA: 3

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 771-6000

DRAFT MINUTES

Summary of Board of Directors
Mobile Source Committee Meeting
9:00 a.m., Monday, July 17, 2006

1. **Call to Order – Roll Call:** Chairperson Tim Smith called the meeting to order at 9:10 a.m.

   Present: Tim Smith, Chairperson; Scott Haggerty, Jerry Hill, Carol Klatt, Pamela Torliatt (9:15 a.m.).

   Absent: Jake McGoldrick, Michael Shimansky, John Silva

2. **Public Comment Period:** There were none.

3. **Approval of Minutes of May 15, 2006:** Approval of the minutes was deferred until a quorum was present.

4. **Transportation Fund for Clean Air (TFCA) County Program Manager Expenditure Plans for Fiscal Year 2006/2007:** *The Committee considered recommending Board of Directors' approval of fiscal year 2006/2007 TFCA County Program Manager expenditure plans.*

   Juan Ortellado, Grant Programs Manager, presented the report and provided information on staff recommendations for Board of Directors' approval of:

   - the fiscal year (FY) 2006/2007 TFCA County Program Manager projects; and

   - the exchange of $1,843,344 and $811,895 of the FY 2006/2007 TFCA County Program Manager funds of the Alameda and Santa Clara County Program Managers, respectively, with Congestion Mitigation and Air Quality (CMAQ) funds to help fund the Air District's Vehicle Buy Back program.

   Director Pamela Torliatt arrived at 9:15 a.m.

   Mr. Ortellado reviewed the project evaluation guidelines and the TFCA County Program Manager expenditure plans for FY 2006/2007, as summarized in Tables 1 and 2 of the staff report.

   Staff recommended that the Committee recommend Board of Directors' approval of County Program Manager expenditure plans for FY 2006/2007 summarized on Table 1 of the staff report and the exchange of $1,843,344 and $811,895 of the FY 2006/2007 TFCA County Program

Manager funds of the Alameda and Santa Clara County Program Managers, respectively, with CMAQ funds.

Committee Action: Director Haggerty moved the staff recommendations; seconded by Director Hill; carried unanimously without objection.

5. **Transportation Fund for Clean Air Funding to Augment Spare the Air/Free Transit:** *The Committee considered recommending Board of Directors' approval of transferring TFCA Regional Funds from Vehicle Buy Back (Program 612) to Spare the Air (Program 306) to help fund up to 3 additional Spare the Air/Free Transit days this summer.*

   Jack Colbourn, Director of Outreach & Incentives presented the report and stated that during this Spare the Air season which runs from June 1, 2006 through October 13, 2006, the Air District and the Metropolitan Transportation Commission (MTC) partnered with 25 Bay Area transit operators to offer free rides all day during the first three non-holiday Spare the Air weekdays. Spare the Air advisories were declared on June 22, 23 and 26. Therefore, monies allocated for the 2006 Spare the Air/Free Fare campaign budget is almost fully expended, with three months remaining in the summer ozone season.

   Mr. Colbourn reviewed the program results to date including increase in ridership and the media coverage.

   In order to continue the Free Transit Program in 2006, Air District funding is needed to augment the MTC funding. Staff recommends adding three more Spare the Air/Free Fare days to the program and that the Committee recommend Board of Director approval to transfer $800,000 from the TFCA Vehicle Buy Back (VBB) Program (Program # 612) to the Spare the Air Program (Program # 306) to help fund the additional days.

   In response to Director Haggerty's question, Jean Roggenkamp, Deputy Air Pollution Control Officer, explained that the addition of TFCA Program Manager Funds to the VBB means less TFCA Regional Funds are needed to meet the VBB Program objectives. The transfer of $800,000 will not affect the VBB Program.

   Director Haggerty suggested that the District staff work with the editorial staff of the ANG newspapers in Alameda County through an educational process to make them aware of how the funds are generated and handled. Director Haggerty also suggested that the District consider cancelling Committee meetings on Spare the Air days because it does not send the right message to the public when Directors must commute to the District Offices on Spare the Air days.

   Director Torliatt suggested that the District implement its videoconferencing system as soon as possible to avoid commuting to attend Committee meetings on Spare the Air days.

   Committee Action: Director Haggerty moved the staff recommendation; seconded by Director Torliatt; carried unanimously without objection.

6. **Transportation Fund for Clean Air Program Auditor Selection:** *The Committee considered recommending Board of Directors' approval to award a contract of up to $77,320 to the firm of Macias, Gini & Company to perform an audit of TFCA Program Manager projects.*

Andrea Gordon, Senior Environmental Planner, presented the report and stated that a fiscal audit of the TFCA-funded projects is required by law at least once every two years, and that the last audit was conducted in 2004. There are 290 TFCA County Program Manager projects to be audited. The audit is expected to begin in August and the final report will be completed in October 2006. Ms. Gordon reported that three proposals were received and that staff reviewed them using pre-established criteria for evaluation of the proposals.

Staff recommended that the Committee recommend Board of Directors' approval of: 1) the selection of Macias, Gini & Company to conduct the TFCA fiscal audits, and (2) authorization for the Air Pollution Control Officer to execute a contract of up to $77,320 for these services.

Committee Action: Director Hill moved the staff recommendations; seconded by Director Haggerty; carried unanimously without objection.

3. **Approval of Minutes of May 15, 2006:** There being a quorum, Director Haggerty moved approval of the minutes; seconded by Director Hill; carried unanimously without objection.

7. **Vehicle Buy-Back Program Fiscal Year 2005/2006 Annual Report:** *Staff presented the Vehicle Buy-Back Program fiscal year 2005/2006 Annual Report.*

Joseph Steinberger, Principal Environmental Planner, presented the report and provided an overview of the Vehicle Buy Back (VBB) Program. Mr. Steinberger noted that the VBB Program is one of the most cost-effective TFCA-funded programs, with an estimated cost-effectiveness of $7,300 per ton of reduced emissions for fiscal year 2005/2006. The VBB Program currently purchases and scraps model year 1985 and older light-duty vehicles that lack modern emission control systems and, therefore, produce more air pollution than newer cars. The program is voluntary and pays $650 to a vehicle owner if the vehicle qualifies for the program.

The budget for FY 2005/2006 was $7.4 million which will fund the purchase and scrapping of 7,968 eligible vehicles. Three vehicle dismantling contractors, with a total of 21 dismantling yards in the Bay Area, purchased and scrapped an average of 520 vehicles per month during FY 2005/2006.

Committee Action: The Committee received and filed the report.

8. **Committee Member Comments/Other Business:** There were none.

9. **Time and Place of Next Meeting:** At the Call of the Chair.

10. **Adjournment:** The meeting adjourned at 9:35 a.m.

Neel Advani
Deputy Clerk of the Boards

AGENDA: 4

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 1, 2006

Re: Vehicle Incentive Program for Fiscal Year 2006/2007

RECOMMENDED ACTION

Recommend Board of Directors approval of the Vehicle Incentive Program (VIP) for fiscal year (FY) 2006/2007, including:

- the allocation of $600,000 in Transportation Fund for Clean Air (TFCA) Regional Funds, and
- the proposed VIP guidelines presented in Attachments A and B.

BACKGROUND

The VIP was established by the Board of Directors in FY 1999/2000 to help public agencies acquire light-duty alternative fuel vehicles. Each year since the program's inception, the Board of Directors has allocated TFCA Regional Funds to the VIP to provide fixed incentive amounts for public agencies to acquire new light-duty alternative fuel vehicles that:

- have a gross vehicle weight (GVW) of 10,000 pounds or less;
- are powered by natural gas, propane, hydrogen, a electric battery, or a hybrid electric engine;
- are certified to either the super ultra-low emission vehicle (SULEV), partial zero emission vehicle (PZEV), or zero emission vehicle (ZEV) emission standards by the California Air Resources Board (CARB).

The VIP is a key element of the Air District's efforts to encourage local agencies to incorporate low-emission, alternative fuel vehicles in their fleets. The VIP grant application process is streamlined and user-friendly. VIP grant applications are accepted, processed, and, if eligible, funded on a first-come, first-served basis.

To date, only public agencies have been eligible to apply for VIP incentives. In addition to acquiring vehicles for their own fleets, public agencies have had the option to apply for incentives on behalf of certain third-party fleets, such as taxi and door-to-door shuttle operators.

DISCUSSION

The VIP continues to be well received by public agencies. In FY 2005/2006, the Air District awarded thirty VIP grants totaling $499,000. In March 2006, after a second call for VIP grant applications, the program was oversubscribed by $8,000. Since then, Air District staff has received several phone calls regarding the next VIP funding cycle and the availability of funds. In preparation for the FY 2006/2007 VIP funding cycle, staff verified that the VIP is a cost-effective emissions reduction program. Staff confirmed that the eligible VIP projects did not exceed the $90,000 cost-effectiveness threshold established by the Board of Directors for projects and programs funded with TFCA funds.

To determine the cost-effectiveness of eligible VIP projects, staff contacted agencies that received a VIP grant prior to FY 2005/2006 to obtain actual vehicle usage information. Based on the actual annual miles driven by these vehicles, the cost-effectiveness in reducing ozone precursors and particulate matter is estimated to be $77,364 per ton of emissions reduction. Thus, the VIP program is a cost-effective program that does not exceed the threshold of $90,000 per ton of emissions reduction and, therefore, can continue to be funded in FY 2006/2007. Since the program was oversubscribed in FY 2005/2006, there is an increase in demand for hybrid-electric vehicles in the Bay Area, and potential new interest in the program from airport taxi fleets, staff believes that an increase in the level of funds from $500,000 to $600,000 is justified. Staff believes that $600,000 will be sufficient to accommodate demand for VIP incentives in the FY 2006/2007 funding cycle.

Staff also recommends retaining the existing VIP guidelines, structure and process. Although the current legislation enabling the TFCA program allows for non-public entities to apply for funding to implement clean air vehicle projects, staff recommends limiting the VIP funding eligibility to public entities, for their own fleets and/or on behalf of certain third-party fleets, such as taxi and door-to-door shuttle operators. The reasons for this recommendation are the same as those presented to the Committee in November of 2003:

- monitoring: it would be difficult to effectively prevent the potential abuse of the program (e.g., vehicle registered in the Bay Area but then transferred to another location) and to recover funds if necessary;
- scope of program: there is already a robust demand for hybrid vehicles, especially from non-public entities; therefore, additional incentives are not needed;
- funding: the likely high demand for VIP funding by non-public entities could affect the level of funding for other more cost-effective programs/projects; and
- program administration: offering VIP funding to non-public entities will likely result in increased administrative work and the need for significant additional resources.

The proposed per-vehicle incentive amounts are the same as in FY 2005/2006. The proposed VIP guidelines for FY 2006/2007, provided in Attachments A and B, are essentially the same as the approved guidelines for FY 2005/2006.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. VIP costs are covered through TFCA Regional Fund revenues.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Andrea Gordon
Reviewed by: Jack M. Colbourn

Attachments

Attachment A

Vehicle Incentive Program Guidelines for Fiscal Year 2006/2007

Available Funds: $600,000 in Transportation Fund for Clean Air (TFCA) funds is available for the fiscal year (FY) 2006/2007 Vehicle Incentive Program (VIP).

Eligible Applicants:

- Public agencies located within the jurisdiction of the Bay Area Air Quality Management District (Air District) are eligible to apply for VIP incentives.
- State and federal agencies and utility fleets that are subject to federal EPACT (Energy Policy Act of 1992) alternative fuel vehicle requirements are not eligible for VIP incentives.
- A public agency may apply for VIP incentives on behalf of a non-public entity (i.e., a private or non-profit fleet), subject to the conditions defined in TFCA Policy # 6. Public agencies that apply on behalf of third-party fleets must agree to fulfill the oversight and monitoring responsibilities specified in Attachment B.

Maximum Request:

- Each eligible public agency may request up to $100,000 in VIP incentives.
- If VIP funds remain available as of March 1, 2007, then agencies that have applied for and received the maximum grant award (i.e., $100,000) may request VIP funds for additional vehicles, to a maximum of $150,000 total per agency.

Eligible vehicles:

A **new vehicle** is defined as a model year 2006 vehicle. A model year 2005 vehicle that has never been owned or sold previously and has less than 1,000 odometer miles will also be considered a new vehicle. New vehicles must meet the following eligibility criteria:

1) Vehicles must have a gross vehicle weight (GVW) of 10,000 pounds or less.
2) Vehicles must be powered by natural gas, propane, hydrogen, electricity, or hybrid electric. Except for hybrid electrics, vehicles with the ability to run on gasoline or diesel as their primary fuel are not eligible.
3) Vehicles must be certified by the California Air Resources Board (CARB) to the Super Ultra Low Emission Vehicle (SULEV), Partial Zero Emission Vehicle (PZEV), Advanced Technology-Partial Zero Emission Vehicle (AT-PZEV), or Zero Emission Vehicle (ZEV) emission standards.
4) Vehicles must be operated in the Bay Area for the duration of their useful life (or lease term), and at least 75% of the miles driven must be within the boundaries of the Air District.
5) The vehicle purchase or lease order must be issued July 1, 2006 or later.

A **used vehicle** is defined as any vehicle that is model year 2005 or older, as well as any model year 2006 vehicle with more than 1,000 odometer miles. Used vehicles must meet the criteria defined for new vehicles above, plus the following two requirements:

- The used vehicle must not have been previously funded by the Air District.
- The used vehicle must have been registered outside the boundaries of the Air District for at least the last 180 calendar days, prior to the date of purchase.

Incentive amounts: The incentive amounts for the FY 2006/2007 VIP funding cycle are as follows:

Vehicle Type / Emission Rating	New Vehicle	Used Vehicle: One-Year Old (60%)	Used Vehicle: 2-Years Old (40%)	Used Vehicle: 3-Years Old (20%)
Hybrid electric – SULEV or PZEV	$2,000	$1,200	$800	$400
Natural gas or propane – SULEV or PZEV	$4,000	$2,400	$1,600	$800
Full-function ZEV	$5,000	$3,000	$2,000	$1,000
City ZEV	$3,000	$1,800	$1,200	$600
Neighborhood ZEV	$1,000	$600	$400	$200

<u>Notes</u>:

- The SULEV incentive amounts also apply to light-duty vehicles that are certified to the PZEV or AT-PZEV standards.
- If the project sponsor elects to lease an eligible vehicle that is available for purchase, the VIP incentive amount will be prorated based on the length of the lease compared to the expected useful life of the vehicle.
- Incentives for Zero Emission Vehicles apply to battery electric vehicles or fuel cell vehicles that are certified to ZEV standard by CARB. In the case of ZEVs that are only available for lease, the VIP incentive amount is based on a three-year lease period. The incentive amount will be pro-rated for shorter lease terms.
- The Air District will not award VIP incentives for any vehicle that has received TFCA County Program Manager funds.

The VIP Process:

1. The Air District receives and reviews application; issues VIP voucher (if funds are available).
2. Applicant has 60 calendar days from date of VIP voucher in which to issue purchase or lease order for the vehicles. (If applicant fails to submit copy of the purchase order (PO) to the Air District within 60 calendar days, the Air District cancels the voucher.)
3. Upon receipt of purchase or lease order, the Air District issues confirmation letter, and provides 180 calendar days for applicant to take delivery of the vehicle(s). (The Air District may grant an extension to the 180-day delivery period, as warranted.)
4. Applicant submits VIP Payment Request Form after taking delivery of all of the vehicles covered by the VIP voucher.
5. The Air District issues payment.

Attachment B

Responsibilities of Public Agencies Applying for VIP Incentives on Behalf of a Non-Public Entity

The Air District has defined in Transportation Fund for Clean Air Policy #6 the conditions whereby a public agency may apply for clean vehicle incentives on behalf of a non-public entity.

To apply for VIP incentives on behalf of a non-public entity, the public agency must agree to assume the following responsibilities:

- To develop a policy to ensure that all eligible fleets are provided equitable access to the funds, prior to submitting a VIP application.
- To transfer the incentive funds to the non-public entity and to provide documentation of said process to the Air District.
- To monitor the use of the VIP-funded vehicles, ensure that the non-public entity operates the vehicle(s) in accordance with the VIP guidelines, and ensure that the vehicle(s) is (are) garaged and operated within the boundaries of the Air District for the duration of the useful vehicle life.
- To notify the Air District within 10 calendar days if the non-public entity violates VIP guidelines or fails to operate the vehicle(s) according to the terms of the incentive.
- To maintain information as to the operational status of each vehicle, and to provide operational data and status for each vehicle to the Air District within 60 calendar days of a request from the Air District for this information.
- To provide written notification to the Air District of any change in vehicle ownership or operational status within 30 calendar days of its occurrence.
- To refund the VIP incentives to the Air District, on a prorated basis, if any vehicle funded by this program is removed from service, wrecked, scrapped, or sold before it achieves at least five full years of service or 150,000 miles in the third-party fleet.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 1, 2006

Re: Plug-in Hybrid Demonstration Project in the Transportation Fund for Clean Air San Francisco County Program Manager Expenditure Plan for Fiscal Year 2006/2007

RECOMMENDED ACTION

Recommend Board of Directors approval of:

- the allocation of $70,000 in fiscal year (FY) 2006/2007 Transportation Fund for Clean Air (TFCA) Program Manager Funds for Project #06SF03 (Plug-in Hybrid Demonstration Project) in the San Francisco County Program Manager expenditure plan.

BACKGROUND

At the July 17, 2006 Mobile Source Committee meeting, staff presented recommendations on the TFCA County Program Manager expenditure plans for fiscal year (FY) 2006/2007. The Committee recommended Board of Directors approval of the expenditure plans as outlined in the staff report. At the July 19, 2006 Board of Directors meeting, a motion made by Director McGoldrick was approved to 1) amend the FY 2006/2007 staff recommendation to reconsider TFCA County Program Manager Project #06SF03, a plug-in hybrid vehicle demonstration project, and 2) refer the project back to the next Mobile Source Committee meeting for further review and discussion. The demonstration project is described below.

DISCUSSION

The San Francisco Department of the Environment (DOE) requested $210,000 in FY 2006/2007 TFCA San Francisco County Program Manager Funds to participate in a demonstration project of plug-in hybrid vehicle technology. The requested funds represent 100% of the total cost of the project and would be used to lease a Ford F-450 truck or van for three years, from Eaton/Ford, to demonstrate the emission reduction benefits of plug-in hybrid vehicles. It is anticipated that the vehicle would be used by San Francisco's Department of Public Works. The fuel to be used would consist of a combination of electricity (grid-supplied and on-board-generated), and gasoline or diesel fuel. While staff supports the goal of this plug-in hybrid vehicle demonstration project, staff recommends that only $70,000 in TFCA Program Manager Funds be approved to implement the first year of this project.

Over the past six years, the Air District has been supporting local public agencies in acquiring low-emission alternative fuel vehicles through the Vehicle Incentive Program (VIP). The highest incentive amount approved by the Board of Directors for the VIP is $5,000 per eligible vehicle. Furthermore, the emission reduction benefits of this project are unknown, as the proposed technology has not yet been certified by the California Air Resources Board. Based on these facts, staff believes that $70,000 in TFCA Program Manager Funds is an appropriate contribution to the implementation of the first year of the DOE's plug-in hybrid vehicle demonstration project. The DOE may request additional TFCA Program Manager Funds in FY 2007/2008 for this demonstration project as the merits of its implementation unfold.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Andrea Gordon
Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 1, 2006

Re: Allocation of Mobile Source Incentive Fund Revenues to the Lower-Emission School Bus Program for Replacement of School Buses

RECOMMENDED ACTION

Recommend Board of Directors approval of the allocation of $2,240,000 of Mobile Source Incentive Fund (MSIF) revenues to the Lower-Emission School Bus Program (LESBP) for the purchase of new school buses, without requiring matching funds from participating school districts.

BACKGROUND

Mobile Source Incentive Fund (MSIF)

Assembly Bill (AB) 923 (Firebaugh, 2004) authorized local air districts to increase their motor vehicle registration fee surcharge up to an additional $2 per vehicle. AB 923 stipulates that local air districts may use the revenues generated by the additional $2 surcharge for any of the four project types listed below:

- Purchase of new clean school buses;
- Projects eligible for grants under the Carl Moyer Program;
- Accelerated vehicle retirement or repair program; and
- Projects that reduce emissions from previously unregulated agricultural sources.

On December 21, 2004, the Air District Board of Directors adopted Resolution 2004-16 to increase the fee surcharge on vehicles registered within the Air District boundaries from $4 to $6 per vehicle. The Department of Motor Vehicles began to collect the increased surcharge in May 2005. The revenues from the additional $2 surcharge are deposited in the Air District's MSIF, which currently accrue at an average rate of just over $900,000 per month.

Lower-Emission School Bus Program

The LESBP was adopted by the California Air Resources Board (CARB) in fiscal year (FY) 2000-2001. The goal of the LESBP is to provide financial incentives to eligible school districts to (1) purchase new clean school buses to replace older, high-emitting buses, and (2) retrofit in-use diesel school buses with particulate matter (PM) emission control devices. Since its inception, State LESBP funds for the purchase of new buses have been provided to replace pre-1987 buses, which were manufactured before PM emission standards were in place. The Air District has been involved with the LESBP since its inception and has received over $11 million in State LESBP funding for bus replacements, allowing for the purchase of over 100 new clean school buses owned by public schools in the Bay Area.

DISCUSSION

As described in the *2006 Lower-Emission School Bus Program Guidelines*, FY 2005-2006 State LESBP funds for new buses are to be allocated to replace pre-1977 school buses, in order of oldest bus first. The retirement of pre-1977 buses has been designated a priority because these buses are high polluting and because federal safety standards for school buses did not take effect until 1977. Of the FY 2005-2006 State LESBP funds, the Air District has been awarded $560,000 to replace the four (4) oldest pre-1977 school buses owned by public school districts in the Bay Area, allowing for an allocation rate of $140,000 per bus (Table 1).

Table 1. Bay Area school buses to be replaced with FY 2005-2006 State LESBP funds

School District	Number of Buses	Manufacture Date
Berryessa Union High School District	1	1969
Newark Unified School District	1	1971
San Mateo Union High School District	2	1972 (both)

Staff recommends the allocation of $2.24 million in MSIF revenues to supplement the $560,000 in FY 2005-2006 State LESBP funds awarded to the Air District for bus replacement purposes. If approved by the Board, the MSIF revenues would be allocated pursuant to the LESBP guidelines, as required by AB 923, and would thus follow CARB's replacement priority of oldest bus first. The allocation of the aforementioned amount of MSIF revenues would allow for the replacement of the sixteen (16) remaining pre-1977 buses owned and operated by public school districts in the Bay Area at the same allocation rate of $140,000 per bus as CARB funds (Table 2).

Table 2. Bay Area school buses to be replaced with MSIF funds

School District	Number of Buses	Manufacture Date
Berryessa Union High School District	2	1974 1976
Campbell Union High School District	2	1976 (both)
Morgan Hill Unified School District	9	1973 (4) 1974 1975 (3) 1976
San Mateo Union High School District	3	1973 1974 1975

In addition, staff recommends that the school districts that are awarded MSIF funds to replace pre-1977 buses not be required to provide matching funds. While the LESBP guidelines allow for the requirement of $10,000 in matching funds when MSIF funds are used, not requiring matching funds would be consistent with the no matching fund requirement for the replacement of pre-1977 school buses with State LESBP funds. Moreover, in 2003 the Air District waived the requirement of a $10,000 matching fund for replacement of pre-1977 buses with FY 2003-2004 LESBP funds. Lastly, a requirement of matching funds would pose a financial hardship on public school districts that could discourage LESBP participation, resulting in the continued operation of older, more polluting school buses in the Bay Area.

If staff's recommendations are approved by the Board of Directors, the Air District would award the proposed amount of MSIF funds to grant recipients on a reimbursement basis, after the new buses have been purchased and the replaced buses have been rendered inoperable. Given the time required for grantees to execute a funding agreement with the Air District, purchase vehicles, and submit invoices to request payment, there will be ample time for the necessary MSIF revenues to accrue before the Air District actually expends the proposed amount of funds.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. The requested amount of additional funding for the replacement of school buses would come from the additional $2 surcharge in motor vehicle registrations fees within the Air District's jurisdiction.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Geraldina Grünbaum
Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 1, 2006

Re: Contractor Selection for Direct Mail Service for the Vehicle Buy Back Program

RECOMMENDED ACTIONS

Recommend Board of Directors approval of:

1) The selection of Direct Mail Center as the contractor for the fiscal year (FY) 2006/2007 Vehicle Buy Back (VBB) Program direct mail service provider; and
2) The authorization for the Executive Officer to execute a contract for up to $88,935 with Direct Mail Center to provide direct mail services for the VBB Program, with the option to renew the contract for an additional year at the Air District's discretion.

BACKGROUND

The Air District's VBB Program purchases and scraps 1985 and older light-duty vehicles that lack modern emission control systems and produce more air pollution than newer cars. The Air District pays $650 to the vehicle owner if the vehicle qualifies for the VBB Program. Since January 2000, the Air District has used a direct mail campaign to inform potentially eligible vehicle owners about the VBB Program. Based on the VBB Program surveys, the direct mail letters are the most effective means of generating participation in the program.

The VBB Program direct mail effort uses the California Department of Motor Vehicle's (DMV) database to contact, by mail, the owners of 1985 and older light-duty vehicles that may be eligible for the program. The scope of work requires the direct mail contractor to convert the DMV database of registered vehicle owners into a MS Access database format. Using the DMV database on a bi-monthly basis, the direct mail contractor will create a list of vehicles that are due for DMV registration renewal. The average bi-monthly list will have approximately 13,750 names. The direct mail contractor will print and merge the text of the one-page VBB Program letter with the names and addresses of vehicle owners on the bi-monthly list, and mail the letters via the United States Postal Service.

DISCUSSION

On June 16, 2006, the Air District issued a Request for Proposals (RFP) seeking a direct mail service provider for the FY 2006/2007 VBB Program. The RFP was mailed to 34 mail service providers in the Bay Area, including minority and women's business enterprises. Responses to the RFP were due by July 17, 2006. The procedures used in the issuance of this RFP comply with the Air District's Administrative Code and with Division 2 of the California Public Contract Code.

The Air District received six (6) proposals in response to the RFP. The proposals were evaluated against criteria set forth in the RFP: price and demonstration of ability to perform the work. All proposals had to include prices for data management costs, letter and envelope production costs, and standard mail bulk rate postage and delivery cost for up to 330,000 pieces of mail. The 330,000 figure represents the approximate number of vehicles registered within the Air District's jurisdiction, model years 1985 and older, which would be eligible for the VBB Program. Model year 1965 and older vehicle owners will not be targeted because vehicles of this vintage are usually classic or collector vehicles and would not be suitable for the program.

The table below lists the bid prices, from lowest to highest, for data management, production costs and postage for each proposal. The evaluation of the proposals using the price criterion set forth in the RFP indicates that Direct Mail Center's price was the lowest, followed by Ad Mail and Data Marketing, Inc. Based on the second criterion, ability to perform the mailing, staff believes that Direct Mail Center, located in San Francisco, also ranked first. Direct Mail Center has been under contract with the Air District in the past for direct mail services and performed well. Based on these factors, staff recommends Direct Mail Center be awarded the contract. If approved by the Board of Directors, the contract with the proposed new direct mail contractor will commence on October 15, 2006 and extend to November 1, 2007, with the option to renew the contract for an additional year at the Air District's discretion.

Direct Mail Service Provider Proposed Costs

Company	City	Cost
Direct Mail Center	San Francisco	$88,935
Ad Mail	Hayward	$94,747
Data Marketing, Inc.	San Jose	$104,445
Accurate Mailings, Inc.	Belmont	$120,124
InfoImage	Menlo Park	$134,640
City Print & Mail	Oakland	$180,370

BUDGET CONSIDERATION / FINANCIAL IMPACT

Funding for the continuation of the direct mail campaign is included in the approved FY 2006/2007 Air District budget, under Program 612.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Joseph Steinberger
Reviewed by: Jack M. Colbourn

AGENDA: 8

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 30, 2006

Re: 2005 Ozone Strategy Further Study Measure 18: Indirect Source Mitigation Program

RECOMMENDED ACTION

Receive and file.

BACKGROUND

The Bay Area 2005 Ozone Strategy (Ozone Strategy) includes Further Study Measure 18: Indirect Source Mitigation Program (FS-18). As stated in FS-18, the District will evaluate ways to reduce emissions from land use development. The Ozone Strategy identifies several measures for further study where additional evaluation is needed before the District may decide to commit the measure to rule development.

Indirect sources of emissions are land development projects, such as residential, commercial or office development, which attract mobile sources of air pollution. FS-18 describes the current District programs that reduce emissions from indirect sources, including: review and comment on CEQA documents prepared by other agencies, promotion of air quality elements in local general plans, the Transportation Fund for Clean Air grant program, and cooperation with other regional agencies and stakeholder groups in the Smart Growth Strategy/Regional Livability Footprint project. In adopting the Ozone Strategy, the District identified for further study the potential enhancement of our existing indirect source programs and assessment of existing indirect source programs at other air districts throughout the state. Among the programs currently being evaluated are the indirect source review rule recently adopted by the San Joaquin Valley Unified APCD (SJVUAPCD) and the indirect source rule for construction currently under development by the Sacramento Metropolitan Air Quality Management District (SMAQMD).

DISCUSSION

On December 15, 2005, the SJVUAPCD adopted Rule 9510–Indirect Source Review (ISR), the most comprehensive indirect source regulation in the state. The rule applies to residential, commercial, industrial, office and recreational development projects above a certain size (e.g., 50 residential units or 2,000 square feet of commercial). The rule seeks to reduce emissions of nitrogen oxides (NOx) and particulate matter (PM_{10}). The rule is structured so as to encourage on-site mitigation of emissions, and assesses fees for "unmitigated" emissions to fund implementation of off-site emission reduction projects.

The rule provides SJVUAPCD the authority to collect fees from projects that are unable to mitigate their air quality impacts on-site. Fees are assessed on a sliding scale based on the level of on-site mitigation achieved through the project's design or operation. Projects that mitigate to the level required of the rule on-site are not assessed an impact mitigation fee. The fee formula is structured to encourage on-site mitigation measures. For example, on-site mitigation of 12 percent of a project's operational NOx would result in about a 36 percent reduction in off-site fees for that pollutant. SJVUAPCD uses the fees collected to fund off-site mitigation projects and programs to offset a project's air quality impacts, such as paving unpaved roads, upgrading dirty engines to cleaner models, PM_{10}-efficient street sweepers and fireplace retrofits/replacements.

The purpose of the rule is to fulfill emission reduction commitments in the SJVUAPCD federal PM_{10} and ozone attainment plans. SJVUAPCD set the level of mitigation required per project based in part on the level of emission reductions needed from indirect sources to attain ozone and particulate matter ambient air quality standards.

SMAQMD is developing an indirect source rule that will apply to construction activity. As currently envisioned, the SMAQMD rule will apply to dust and diesel exhaust emissions from grading operations. The rule is proposed as a fee-based rule that will not require developers to reduce emissions on-site. Fees collected by the district will be used to fund off-site mitigation projects and programs that reduce emissions from sources not required by law to reduce emissions. Voluntary on-site mitigation measures incorporated into the project by the applicant will lower required fees. SMAQMD plans to publish a concept paper on the rule in September 2006 and begin public workshops in October 2006. SMAQMD Board adoption is currently scheduled for May 2007.

Staff is evaluating a variety of possible approaches for further reducing indirect source emissions in the Bay Area, including:

- An indirect source rule similar to the SJVUAPCD or SMAQMD rules.
- An indirect source rule focused on large diesel emission sources.
- Enhanced outreach, technical assistance and commenting to cities and counties.

Staff will provide the Committee with an overview of the SJVUAPCD and SMAQMD rules, and discuss options that the Air District may evaluate.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer /APCO

Prepared by: Greg Tholen
Reviewed by: Henry Hilken