

STATE OF CALIFORNIA
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
CALIFORNIA AIR RESOURCES BOARD

REMEDIATION FUND ADMINISTRATOR APPLICATION

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Print clearly or type all information on this application.

1. Company Name/Air District/Organization Name/Individual Name: Bay Area Air Quality Management District
2. Business Type: Regional Air Pollution Control Agency
3. Contact Name and Title: Karen Schkolnick, Director of Strategic Incentives

4. Mailing and Contact Information:

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Please include with your application a resolution from your agency's governing board authorizing participation in the remediation fund program.

Email Completed Applications to: shorepower@arb.ca.gov

Mail Completed Applications to: CHIEF, TRANSPORTATION AND TOXICS DIVISION,
CALIFORNIA AIR RESOURCES BOARD 1001 I STREET SACRAMENTO, CA 95814

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Answer all questions in the application below as completely as possible. CARB may request additional information in order to clarify responses provided on this application.

1. Describe any experience implementing incentive programs for heavy-duty diesel vehicles and off-road equipment, with a focus on the Carl Moyer Program; the Proposition 1B Program; the Community Air Protection Incentives; or similar programs for mobile and/or stationary sources of air pollution.

The Bay Area Air Quality Management District (Bay Area AQMD) has more than 30 years of experience and has administered more than \$1.2 billion in revenue to implement incentive programs that achieve real, permanent, surplus, and quantifiable emission reductions from mobile and stationary sources, primarily from heavy-duty diesel vehicles and off-road equipment. In fiscal year ending (FYE) 2023, Bay Area AQMD will be administering over \$120 million in new revenue, which includes funding from the California Air Resources Board, USEPA, Caltrans, and local DMV fees.

Specifically, the Bay Area AQMD has used funding from the following sources to target emissions reductions from heavy-duty diesel vehicles and off-road equipment:

- The Carl Moyer (1999), Vehicle Incentive, and Lower Emissions School Bus Programs
- Prop 1B Goods Movement Program (2008)
- AB 617 Community Air Protection Program (2018)
- Volkswagen Environmental Mitigation Trust (2018)
- Funding Agricultural Replacement Measures for Emission Reductions (FARMER) (2018)
- Programs funded by local DMV fees (since 1991) and settlement funds
- Diesel Emissions Reduction Act (DERA) funded by EPA (multiple cycles)

The following is a list of key administration activities conducted for each program or funding source:

- Developing applicable program materials, including policies and procedures, implementation manuals, and solicitation materials
- Tracking project and administrative expenditures and earned interest
- Conducting outreach and community engagement, including hosting workshops/webinars, issuing e-blasts/press releases, targeted social media, direct mailer and program materials, and presenting funding opportunities to targeted potential applicants or at public events
- Processing applications received and determining eligibility as per funding source criteria (e.g., cost-effectiveness and project and applicant requirements)
- Preparing recommendations for award and/or ranking lists and obtaining approval of proposed awards from Bay Area AQMD's Board of Directors (Board) and/ or funding agencies, as applicable.
- Conducting required inspections
- Developing, issuing, and executing grant agreements
- Monitoring the implementation and operation of projects
- Reviewing invoices and payment requests, issuing payments, and closing out projects
- Retaining records following each funding source's requirements
- Taking appropriate enforcement actions to recover funding from grantees with underperforming or non-performing projects).
- Reporting project and fiscal information to Board of Directors and applicable funding agencies.
- Cooperating in program and fiscal audits and requests for information.

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2. Describe any technical knowledge of engines, vehicles, equipment, and/or stationary air pollution sources that would be eligible for incentives.

Bay Area AQMD incentive programs staff has extensive technical knowledge of heavy-duty on- and off-road vehicles, engines, equipment, and stationary air pollution sources that would be eligible for incentives through the remediation fund. Staff members that would work on the remediation fund have educational backgrounds in engineering or environmental science.

Additionally, the Bay Area AQMD's planning department keeps detailed inventories of truck movements in the regions for modeling and health risk reduction estimation, including DMV registration data. As the regional authority for stationary source regulations in the Bay Area, the Air District has an extensive inventory of backup generators deployed locally (over 7,000 engines), that may be eligible for replacement. Also, as part of the AB617 program, hyperlocal data is available for select communities that may be impacted by Ocean-going Vessel emissions such as Richmond and West Oakland. This data could help to identify stationary and mobile sources which most impact community health and which can be excellent targets for the use of this funding. CARB estimates that there are 3,154 Commercial Harbor Craft (CHC) in the State of California and a large portion of those vessels are based out of the Ports of Richmond and Oakland (as is evidenced by page H-8 of the CARB staff report at <https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2021/chc2021/apph.pdf>). Vessels eligible for replacement prior to the deadlines for the new CHC rule could be good candidates for funding from this program based on their proximity to the original sources of the emissions and the communities impacted. Attachment A shows an example of a list of facilities and equipment that have been determined to impact the air quality for the communities around the Port of Richmond.

In addition, the following is a list of examples of the types of training Bay Area AQMD staff receive to expand their technical knowledge relative to the requirements for engines, vehicles, equipment, and/or stationary air pollution sources that would be eligible for incentives through the remediation fund.

Equipment and Regulations:

- Small Off-Road Engines
- Transport Refrigeration Units (TRU)
- Diesel Particulate Filter Operation and Maintenance
- CARB Diesel Truck Rules - Compliance Options and Reporting Requirements for 2021 and Beyond
- Air Regulatory Overview for Public Agencies in California
- Air Regulatory Overview for Public Schools in California
- At-Berth and Harbor Craft Regulations
- TRU Air Toxics Control Measure
- In-Use Off-Road Diesel Vehicle Regulation
- Large Spark Ignition (LSI) Fleet Regulation
- Zero Emissions Forklifts Measure Workshop
- Compliance Overview: Truck & Bus Rule, Off-Road Regulation, and Portable Equipment
- New Programs and Regulations at CARB
- Compliance Options and Reporting Requirements

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3. Describe the remediation activity types and applicable CARB incentive program guidelines the fund administrator will use to recruit, evaluate, select, fund, and track incentive activities.

Bay Area AQMD will use remediation fund monies to incentivize projects whose emissions reductions are above and beyond those reductions required by any other state, federal, or international rule, regulation, statute, or other legal requirements (including requirements under a Memorandum of Understanding with a government entity) or an emission reduction strategy identified in an AB 617 Community Emissions Reduction Program that has been approved by CARB's Board. Examples of remediation activity types that would be implemented include the replacement of cargo handling equipment, tugboats, and on- and off-road trucks and buses.

Emission reductions resulting from funded projects shall directly benefit the communities that are impacted by excess emissions generated by the port or independent marine terminal, and funded projects shall also be consistent with CARB's most recent applicable incentive program guidelines for the Carl Moyer Program, Proposition 1B Program, or Community Air Protection Incentives Program, or similar programs for mobile and/or stationary sources of air pollution. Bay Area AQMD will prioritize eligible activities in communities that are also identified by CARB under the AB 617 Community Air Protection Program or disadvantaged communities as defined by the Secretary for Environmental Protection.

Initially, Bay Area AQMD proposes to award remediation funds to projects that are identified using existing grant program solicitations in order to expedite the allocation of funding to eligible projects. The following are the incentive programs whose guidelines, policies and procedures may be initially used to solicit, evaluate, award funding, and track allocated funding to projects eligible for remediation fund monies:

- Carl Moyer Program
- Community Air Protection Program
- Volkswagen Environmental Mitigation Trust and Prop 1B Goods Movement

Also, in the event that CORE or HVIP programs are oversubscribed, the Bay Area AQMD may work with the Clean Off-Road Equipment Voucher Incentive Project (CORE) and The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) administrators to award remediation funds to local projects meeting remediation fund requirements.

Future cycles may involve the development of separate solicitations to award funding using guidelines from any other CARB approved guidelines that maximize funding for zero-emissions projects that directly benefit the same communities impacted by excess emissions from the port or independent marine terminal, including communities that are adjacent to the Ports of Richmond, Oakland, and communities that are adjacent to terminals that serve refineries.

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4. Demonstrate any capacity to administer the fund, including: personnel resources; operating budgets; accounting and legal support; activity tracking, emission reduction quantification, reporting mechanisms, and outreach experience.

The Bay Area AQMD is well-positioned to successfully administer the remediation funds. The Bay Area AQMD currently has 31 Full-time employees (FTE) assigned to the Strategic Incentives Division (SID) dedicated to the development, implementation, tracking of projects, emissions reduction quantifications, reporting, outreach, and ongoing administration of the grants program with an operating budget of \$120 million in new revenue (including project and administrative funding) for FYE 2023. The remediation funding that is projected for the Bay Area represents a small percentage increase relative to the existing amount of funding that is currently managed by Bay Area AQMD. The Bay Area AQMD will retain up to 10 percent of the remediation funds collected for its direct and reasonable expenses incurred to implement this new incentive program.

Initially, the Bay Area AQMD propose to use existing staff from grants, finance, legal, information technology services, communications, and community outreach to conduct the initial steps for awarding new funds by leveraging the effort of existing programs. Depending on the scenario and amount of funding that is available through this program, a request for additional staff will be made to our Board for consideration to manage increased workload if the remediation funding that is available is higher than initially anticipated by CARB staff.

In addition to the work that is performed by the staff in the SID, other departments of Bay Area AQMD provide legal, accounting, other administrative services, and other expertise to support the administration of incentive programs in the following areas:

- Legal (for contracts and enforcement)
- Finance (for reimbursements, payments, accounting, and fiscal management)
- Engineering (for stationary facility and emissions inventory data)
- Community engagement, outreach & communication
- Enforcement (for inspections of equipment)
- Assessment, inventory & modeling (for emissions and mobile source equipment inventory)

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5. Describe any ability to establish a separate account, and track deposits and payments, solely for the remediation fund.

The Bay Area AQMD has a proven history of effectively administering grant funds with tight fiscal controls. The latest annual financial audit for Bay Area AQMD confirms adequate financial controls and robustness of the accounting and tracking practices for our grant programs.

The following is a description of how each separate funding source will be accounted for, including tracking of all associated revenue (deposits) and expenditures (payments). The Bay Area AQMD will account for remediation funds within Bay Area AQMD's general ledger following generally accepted accounting principles:

- a. Project Funds: Establish a designated account that will be used for tracking encumbrances/obligations and expenditures (payments), of project funds. Additionally, any returned remediation funds shall also be tracked in a designated account and redistributed to eligible projects. Projects canceled after Grant Agreement execution but prior to reimbursement will be redistributed to eligible projects.
- b. Admin: Create and use a unique billing code for tracking staff time for work directly related to this funding source and track and account for all associated administrative expenditures, including personnel costs (salary and fringe benefits), travel costs, subcontractor costs, indirect costs, and supplies and serves.
- c. If interest tracking is required, deposit remediation funds in an interest-bearing account. As State funds, remediation funds will be invested only in accounts or instruments that reflect the risk appetite of the State, as referenced in the Office of the State Treasurer Local Agency Investment Guidelines.
- d. Report to CARB all deposits and payments in periodic reports.

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6. Provide a proposed timeline for recruiting and funding incentive activities, and for those activities becoming operational to reduce emissions, once remediation funds are deposited into the applicant's separate account. For efficiency, these milestones may be aligned with existing solicitations, obligation, and liquidation deadlines for other incentive programs.

Initially, Bay Area AQMD proposes to award remediation funds to projects by leveraging the Bay Area AQMD's existing grant program activities to expedite the allocation of funding to eligible projects that would directly benefit from the emission reductions of nearby ports and marine terminals.

Proposed timeline:

1. Within three months from the date grant agreement between Bay Area AQMD and CARB is fully executed: publish program materials on Bay Area AQMD website and start accepting applications through Carl Moyer Program portal.
2. Evaluating, awarding, contracting projects on a first-come, first-served basis until funding is exhausted.
3. Within two years to four years following the effective date contracts with selected project sponsors depending on project types (zero emissions replacement equipment typically takes longer to put into service than diesel to diesel replacements): project will be placed into service and become operational and remediation fund will be paid.
4. Submitting semi-annual reports to CARB covering fiscal activity and funded project information, including, but not limited to, recipient, type, location, and estimated emissions reductions achieved.
5. Retaining records for a minimum of five years after a funded incentive activity has concluded

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7. Describe any other incentive or funding programs with which any remediation funds may be combined. In funding remediation activities, remediation funds may only be combined with funds from other incentive programs to the extent that the emissions reductions caused by the remediation fund are capable of being calculated and attributed to the remediation fund. If funds would be combined in this manner, the application shall demonstrate that the emissions reductions resulting from the remediation fund can properly be attributed to, and claimed by, the remediation fund.

As appropriate, remediation funds may only be combined with funds from other incentive programs to the extent that the emissions reductions caused by the remediation fund are capable of being calculated and attributed to the remediation fund.

Co-funding would likely be considered only for projects that otherwise would not happen without additional funding because the percent of remediation fund of eligible costs is too low to be meaningful to applicants for variety of reasons.

The Bay Area AQMD may consider co-funding remediation fund projects using funding generated from local DMV surcharges or other funds sources such as EPA's DERA or Targeted Air Shed program. Bay Area AQMD has experience of successfully ensuring that separate program guidelines are adhered to, and emission reductions benefits are properly attributed when more than one funding source is awarded to a project.

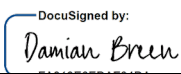
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CERTIFICATION

I certify to the best of my knowledge that the information contained in this application is true and complete. I further certify that I am authorized to complete and sign this form on behalf of the proposing organization.

Name: Damian Breen	Title: Deputy Executive Officer
Signature:  <small>FAS18E6EDAF04DA...</small>	Telephone Number: +1 (415) 749-5041
Email: dbreen@baaqmd.gov	Date: 09/28/2022