

BOARD MEETING DATE: February 5, 2021

AGENDA NO. 3

**PROPOSAL:** Execute Contract for the Volkswagen Environmental Mitigation Trust Program – Combustion Freight and Marine Projects Category and Amend Contract for Outreach and Other Program-Related Support

**SYNOPSIS:** In December 2020, the Board approved the execution of contracts for combustion freight and marine projects eligible for funding through the Volkswagen (VW) Environmental Mitigation Trust Program. These actions are to execute a contract for one additional truck replacement project that is now eligible for funding under the Combustion Freight and Marine Projects Category and amend a contract to provide outreach and other program-related support for VW Program not to exceed \$135,000 from the VW Mitigation Special Revenue Fund (79).

**COMMITTEE:** Technology, January 22, 2021; Recommended for Approval

**RECOMMENDED ACTIONS:**

1. Authorize the Chairman to execute a contract for the replacement of an on-road heavy-duty truck listed in Table 1 in an amount not to exceed \$85,000 from the VW Mitigation Special Revenue Fund (79); and
2. Authorize the Chairman to amend a contract with Gladstein, Neandross & Associates LLC to provide outreach and other program-related support for the VW Program not to exceed \$50,000 from the administrative portion of the VW Mitigation Special Revenue Fund (79).

Wayne Natri  
Executive Officer

## **Background**

In November 2018 and March 2020, the Board recognized revenue up to \$165 million to administer and implement two of the five project funding categories for the VW Program, including \$150 million in project funds and \$15 million in administrative funds. The two funding categories that South Coast AQMD is administering are the Combustion Freight and Marine Projects and Zero-Emission Class 8 Freight and Port Drayage Trucks, which have been allocated \$60 million and \$90 million in project funds, respectively. The other three funding categories are being administered by San Joaquin Valley APCD and Bay Area AQMD.

On December 6, 2019, the South Coast AQMD released a Program Announcement (PA) to solicit projects for the Combustion Freight and Marine Projects Category, using the first installment of \$30 million. That solicitation closed on March 4, 2020. On December 4, 2020, the Board granted approval to enter into contracts for \$4,895,238 in project funds, which included sixty-six (66) on-road truck replacement projects and two (2) marine engine repowers. Since then, one additional truck replacement project has become eligible for funding under the Combustion Freight and Marine Projects Category of the VW Program.

In addition, through a sole source contract with an expiration date of January 21, 2022, Gladstein, Neandross & Associates LLC (GNA) was awarded a contract to provide technical expertise, outreach and other program-related support for the two categories of the VW Program being administered by the South Coast AQMD. GNA is a leading environmental consulting firm specializing in emissions reduction, energy and transportation policy, and market development for alternative fuel vehicles. GNA works with businesses, government agencies and communities to expand markets for environmentally friendly products and services and develop strategies and raise awareness about projects and technologies that promote livable and sustainable communities. GNA also has extensive experience and professional knowledge about the feasibility and inner workings of incentive programs that reduce NOx and PM emissions from mobile sources in the goods movement sector. GNA has assisted South Coast AQMD with implementation of the Proposition 1B-Goods Movement, Voucher Incentive Program, Lower Emission School Bus and other South Coast AQMD mobile source programs, including demonstration projects to deploy lower-emitting heavy-duty vehicles and advanced transportation technologies. GNA also has an established, broad network of stakeholders in the transportation industry as well as a well-known ACT News website to assist in outreaching statewide potential eligible applicants. Additional funds are needed to continue this support.

## **Proposal**

Staff proposes to execute a contract for one additional truck replacement project using VW funds in an amount of \$85,000 from the Combustion Freight and Marine Projects category, as identified in Table 1. This project was evaluated based on the criteria

specified in the PA and other VW program-related documents. This project has been approved by a five-member panel consisting of one member from: South Coast AQMD, Bay Area AQMD, San Joaquin Valley APCD, CARB, and the California Air Pollution Control Officers Association (CAPCOA). The review panel verified all project selection criteria were followed.

<b>Table 1</b>				
<b>Applicant</b>	<b>Category</b>	<b>Replacement Technology</b>	<b>Number of Vehicles</b>	<b>Maximum Recommended Award</b>
Mortimer & Wallace Inc. dba Los Angeles Harbor Grain Terminal	On-Road	0.02 g/bhp-hr	1	\$85,000
<b>Total:</b>			<b>1</b>	<b>\$85,000</b>

Since 2019, GNA has been performing outreach and other program-related support for the VW Program, but additional funding is required to continue with outreach efforts to provide program information and application support to applicants statewide through GNA’s broad network of stakeholders and technical assistance with informational webinars.

Staff is recommending to add up to \$50,000 from the administrative portion of the VW Mitigation Special Revenue Fund (79) to GNA’s contract for outreach and other program-related support for the VW Program.

**Outreach**

The PA was provided to San Joaquin Valley APCD, Bay Area AQMD, CARB and CAPCOA to assist with statewide outreach. The PA was also posted on each of the VW websites administered by the South Coast AQMD, San Joaquin Valley APCD, Bay Area AQMD and CARB. South Coast AQMD issued a press release notifying interested stakeholders of the opening of the PA for the Combustion Freight and Marine Projects category. Staff also held a public webinar to assist applicants statewide and conducted outreach on a statewide basis, including the utilization of social media and sending over 136,000 emails to subscribers.

Staff will work with other air districts, industry organizations, community groups and other stakeholders, in coordination with CARB, on revised statewide outreach for future solicitations.

### **Disadvantaged and Low-Income Communities**

Consistent with the goals established within the BMP, not less than 50 percent of the funds appropriated for this category are to be expended in a manner that directly reduces air contaminants and/or associated public health risks in disadvantaged and/or low-income communities. The qualification of the projects is determined by using CalEnviroScreen version 3.0 to identify disadvantaged and low-income communities.

Staff determined the recommended project will benefit disadvantaged and/or low-income communities.

### **Funding Distribution**

The VW Trust is a component of partial settlements with VW and is enumerated in Appendix D of the Consent Decree ordered by the U.S. District Court for the Northern District of California. In May 2018, as required by the Consent Decree, CARB approved the BMP, which includes a goal that at least 50 percent of program funds be expended on projects that will reduce NOx emissions in disadvantaged and low-income communities for the Combustion Freight and Marine Projects category.

The recommended project in this Board letter is anticipated to reduce emissions in Los Angeles county and other areas where the vehicle is operated.

### **Benefits to South Coast AQMD**

The successful implementation of the projects selected for funding through the VW Program will reduce emissions of NOx and other criteria air pollutants, toxic air contaminants and greenhouse gases on a statewide basis.

This project, along with the other projects funded by the VW Program, will reduce NOx emissions by replacing older, high-polluting vehicles and equipment with cleaner technologies. The emission reductions achieved by projects funded by the VW Program are intended to fully mitigate the diesel NOx emissions caused by VW's illegal actions. The project identified in this Board letter will result in NOx emission reductions that are surplus to existing regulations and will occur throughout the life of the project resulting in long-term emission reduction and public health benefits.

The outreach and other program-related support to be provided by GNA will provide an effective means of outreaching and targeting relevant potential applicants statewide.

### **Resource Impacts**

Total funding for this recommended project under the VW Environmental Mitigation Trust Program – Combustion Freight and Marine Projects Category will not exceed \$85,000. Revenue up to \$150 million in project funds was previously recognized into the VW Mitigation Special Revenue Fund (79) to fund two project funding categories being administered by the South Coast AQMD. There are sufficient funds in the VW

Mitigation Special Revenue Fund (79) for this funding category, including the recommended award in this Board letter.

The contract amendment with GNA will not exceed \$50,000. Revenue up to \$15 million in administrative funds was previously recognized into the VW Mitigation Special Revenue Fund (79) to administer the two project funding categories under the VW Program. There are sufficient administrative funds in the VW Mitigation Special Revenue Fund (79) for this contract amendment.