

BOARD MEETING DATE: December 5, 2014

AGENDA NO. 5

PROPOSAL: Recognize, Transfer and Appropriate Funds, and Execute Contracts to Implement Enhanced Fleet Modernization Program

SYNOPSIS: On July 11, 2014, the Board approved release of an RFP to implement the AB 118 Enhanced Fleet Modernization Program (EFMP). The program focuses on providing greater incentives to eligible low- and middle-income owners of older vehicles to scrap their existing vehicle and receive a voucher to either help acquire a newer vehicle or cover the cost for transit passes or participation in car-sharing programs. Six proposals were received by the closing date of the RFP. These actions are to: 1) recognize upon receipt up to \$2.4 million for implementation of the EFMP and authorize Executive Officer to accept grant terms and conditions; 2) execute contracts in an amount not to exceed \$625,000 from the HEROS II Special Revenue Fund (56); 3) transfer and appropriate \$70,000 from the HEROS II Special Revenue Fund (56) to Science & Technology Advancement's FY 2014-15 or FY 2015-16 Budget to assist in implementing the EFMP; and 4) authorize the Executive Officer to approve vouchers to qualified program participants up to \$3,330,000.

COMMITTEE: Technology, November 21, 2014; Recommended for Approval

RECOMMENDED ACTIONS:

1. Recognize upon receipt up to \$1.4 million from CARB or the California Bureau of Automotive Repair (BAR) into the HEROS II Special Revenue Fund (56) and authorize the Executive Officer to accept terms and conditions of an AB 118 grant award from either CARB or BAR for implementation of the retire and replace component of the EFMP.
2. Recognize upon receipt up to \$1 million from the Greenhouse Gas Reduction Fund from CARB into the HEROS II Special Revenue Fund (56) and authorize the Executive Officer to accept terms and conditions of a Greenhouse Gas Reduction Fund grant award for implementation of the Vehicle Retirement and Replacement Plus Up Program.

3. Authorize the Chairman to execute contracts in an amount not to exceed \$625,000 from the HEROS II Special Revenue Fund (56) with the following entities:
 - a. Foundation for California Community Colleges (FCCC) in an amount up to \$225,000 for outreach and marketing activities, operating a call-center and assisting program participants in processing vehicle retirements and identifying replacement vehicles, transit pass programs or car-sharing programs;
 - b. Gladstein, Neandross & Associates (GNA) in an amount up to \$200,000 for outreach and marketing activities; and
 - c. Opus Inspection in an amount up to \$200,000 for outreach and marketing activities and assisting program participants to identify replacement vehicles, transit pass programs or car-sharing programs.
4. Transfer, as needed, \$70,000 from the HEROS II Special Revenue Fund (56) into the General Fund and appropriate \$70,000 to Science and Technology Advancement's FY 2014-15 or 2015-16 Budget, Services and Supplies Major Object, Professional and Special Services Account, to assist in implementing the EFMP.
5. Authorize the Executive Officer to approve vouchers to program participants in an amount not to exceed \$3,330,000, which consists of \$2,730,000 from the HEROS II Special Revenue Fund (56) and \$600,000 from the Mobile Source Air Pollution Reduction Fund (23) for up to 551 to 992 replacement vehicles (range depends on voucher monetary level), transit passes or car-sharing programs.

Barry R. Wallerstein, D.Env.
Executive Officer

MMM:HH:DC:DRC:LB

Background

The AB 118 Enhanced Fleet Modernization Program (EFMP) is a vehicle retirement and replacement program authorized by the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (Health and Safety Code sections 44125-44126). Guidelines for the EFMP were established by CARB in consultation with the Bureau of Automotive Repair (BAR) in August 2010. Through two recent acts of California legislation (Assembly Bill 8 and Senate Bill 459), the EFMP regulation was amended by CARB in June 2014.

The EFMP provides incentives to eligible owners of light- and medium-duty vehicles for the early retirement of these vehicles. The retire and replace component of the Program also provides incentives for the replacement of the retired vehicle with a

cleaner, more fuel-efficient one or, alternatively, provides for a mass transit pass or participation in car-sharing programs in lieu of a replacement vehicle.

The current EFMP regulation identifies program implementation in the South Coast Air Quality Management District and the San Joaquin Valley Air Pollution Control District. CARB indicated that for the first year, a pilot program should be implemented to demonstrate the efficacy of the program and activities that focus on low- and middle-income consumers with a particular focus on consumers residing in disadvantaged communities. In addition, the EFMP regulation provides for consideration of consumer protection rights as they go through the process of acquiring a replacement vehicle.

The Pilot Retire and Replace Program places emphasis on:

- Targeted outreach in low-income and disadvantaged communities;
- Providing significant assistance to program participants to complete the transactions;
- Ensuring that retired vehicles have sufficient remaining useful life and functionality; and
- Provides for additional tiered incentives for purchases of more environmentally friendly replacement vehicles or, alternatively, offers vouchers for public transportation, car-sharing, or other mobility options.

Table 1 below shows the income levels for eligible participants in the Program and the level of funding that an eligible participant may receive to either replace their vehicle or cover the costs for transit passes or participation in car-sharing programs.

Table 1. Voucher Options Based on Income Levels

Income Eligibility	Replacement Options				
	8 year old or newer vehicle	<i>May be also Eligible Low-Carbon Transportation (CVRP) type incentives</i>			Alternative Transportation Mobility Options
		35+ MPG	Plug-In Hybrid	ZEV	
Low Income <225% Federal Poverty Level	\$4,000	\$4,500	\$4,500	\$4,500	\$4,500 Face Value
Moderate Income <300% Federal Poverty Level	Not Available	\$3,500	\$3,500	\$3,500	\$3,500 Face Value
Above Moderate Income <400% Federal Poverty Level	Not Available	Not Available	\$2,500	\$2,500	\$2,500 Face Value

Table 2 provides the annual income level for eligible participants in the Program. The associated annual income levels are such that there is a large number of households that

could be eligible for a voucher for replacement vehicle or an alternative mobility option such as transit passes or car-sharing programs.

Table 2. Annual Income Associated with the Various Percentages Above the Federal Poverty Level

Number of Household Members	Federal Poverty Level (FPL)	225% Above FPL	300% Above FPL	400% Above FPL
1	\$11,670	\$26,257.50	\$35,010	\$46,680
2	\$15,730	\$35,392.50	\$47,190	\$62,920
3	\$19,790	\$44,527.50	\$59,370	\$79,160
4	\$23,850	\$53,662.50	\$71,550	\$95,400
5	\$27,910	\$62,797.50	\$83,730	\$111,640
6	\$31,970	\$71,932.50	\$95,910	\$127,880
7	\$36,030	\$81,067.50	\$108,090	\$144,120
8	\$40,090	\$90,202.50	\$120,270	\$160,360

For families/households with more than 8 persons, add \$4,670 for each additional person.

In addition to the EFMP Regulation, CARB approved a Fiscal Year 2014-15 Funding Plan for the Air Quality Improvement Program (AQIP) and Low Carbon Transportation Greenhouse Gas Emission Reduction Fund (GGRF) Investments providing up to \$9 million in state funding for light-duty pilot projects in disadvantaged communities. Under the GGRF, CARB allocated \$2 million for a light-duty “Vehicle Retirement and Replacement Plus-Up Program” to complement the EFMP. This pilot program will focus on promoting advanced technology vehicle replacements (both new and used) by providing additional financial assistance for cleaner vehicles under the EFMP or other vehicle retirement programs. Assistance will include increased incentive amounts, eligibility for used advanced technology vehicles, and may include alternative options, such as transit and car share subsidies, or low-cost loans. Incentive amounts in addition to the base EFMP amounts shown in Table 1 will be up to \$5,000 for plug-in hybrid or zero-emission vehicles and up to \$2,500 for conventional hybrid vehicles that are eight years old or newer at the time of purchase. CARB indicated that the SCAQMD is eligible to receive up to \$1 million to implement the Vehicle Retirement and Replacement Plus-Up Program.

On July 11, 2014, the Board issued RFP #P2015-06 for the implementation of the Pilot Retire and Replace Program element of the EFMP. To ensure that the EFMP regulation is appropriately implemented in an efficient manner and to maximize program participation, the RFP encouraged prospective proposers to form teams that demonstrated expertise in the various aspects of the program including outreach and marketing, processing of retired vehicles and assisting program participants in the

vehicle replacement process. In addition, there is a desire to have car dealerships, financial institutions, transit agencies, and car-sharing entities participate in the Program. To further program participation, prospective proposers could propose optional activities that when complemented with the base program would result in greater participation.

The RFP noted that given the diverse demographics of the South Coast Air Basin and the Coachella Valley, multiple approaches by different proposers could be employed to increase program participation. Consequently, the RFP encouraged proposers to focus on specific elements in their proposal to maximize the efficacy of the pilot demonstration program.

Outreach

In accordance with SCAQMD's Procurement Policy and Procedure, a public notice advertising the RFP inviting bids was published in the Los Angeles Times, the Orange County Register, the San Bernardino Sun, and Riverside County's Press Enterprise newspapers to leverage the most cost-effective method of outreach to the South Coast Basin.

Additionally, potential bidders may have been notified utilizing SCAQMD's own electronic listing of certified minority vendors. Notice of the RFP has been emailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD's website (<http://www.aqmd.gov>).

Bid Evaluation

By the September 17, 2014 RFP deadline, six proposals were received from the following entities:

- AQMS Automotive, LLC
- Foundation for California Community Colleges (FCCC)
- Gladstein, Neandross & Associates (GNA)
- LKQ Pick Your Part
- Opus Inspection
- Top Shelf Consulting, LLC

The proposals were reviewed and evaluated by a three-member panel in accordance with established SCAQMD guidelines, using technical and cost criteria outlined in the RFP. The three-member panel consisted of a Planning and Rules Manager from SCAQMD, a Section Manager from CARB, and the Technical Advisor to the MSRC. The panel members included two Asian-Americans and one Caucasian, two male and one female.

Table 3 below summarizes the evaluation of five of the six proposals. Proposals receiving a technical score of at least 56 out of 70 points were considered qualified and eligible for contract awards. Of the six proposals received, the proposal from AQMS Automotive, LLC was not technically qualified since the average technical scores were below the required 56 points. Therefore, AQMS Automotive, LLC was not considered further in the process.

Table 3. Technical Scores and Proposed Element

Proposer	Technical Score	Proposed Activities
Foundation for California Community Colleges (FCCC)	62.3	<ul style="list-style-type: none"> • Distribution of printed materials • Outreach to lenders, dealerships, dismantlers, transit agencies in 26 communities • Conduct 10 events at various community colleges • Bi-lingual call center • Website development/maintenance • Outreach to lenders, dealerships, dismantlers, transit agencies • Customer assistance to complete applications
Gladstein, Neandross & Associates (GNA)	57.3	<ul style="list-style-type: none"> • Booth at 6 to 8 established events • Focus on two communities in disadvantaged areas • Spanish TV advertisement • Radio advertisement • Printed materials • Outreach to lenders, dealerships, dismantlers, transit agencies • Customer assistance to complete applications
LKQ Pick Your Part	57.6	<ul style="list-style-type: none"> • Solicit existing consumer base • Printed materials • Outreach to lenders, dealerships, dismantlers, transit agencies • Customer assistance to complete applications
Opus Inspection	59.3	<ul style="list-style-type: none"> • Remote sensing at roadway in disadvantaged areas • Remote sensing events: 10 events at the Radium Open Air Market in Torrance • Radio advertisement • Printed materials • Outreach to lenders, dealerships, dismantlers, transit agencies • Customer assistance to complete applications • Electronic signage • Case managers to assist customers
Top Shelf Consulting, LLC	57.6	<ul style="list-style-type: none"> • Neighborhood community organizations along the I-710 corridor • Presence at established events along I-710 corridor • Printed materials • Outreach to lenders, dealerships, dismantlers, transit agencies • Customer assistance to complete applications

Proposals were also awarded up to 30 points for the cost score and a maximum of 15 additional points for special business categories as defined in the RFP. However, in the discussions among the technical review panel members, it was noted that each of the technically qualified proposals provided a unique approach to the outreach and marketing elements of the Program. In addition, the panel members believed that one proposal demonstrated the strongest experience in processing program participants. As a result, the panel recommended providing some level of funding (which may be different than proposed by each proposer) to all five technically qualified proposals.

Subsequent to the Panel's evaluation, staff informed each of the proposers on the proposed recommendation to determine if the proposers were still interested in proceeding. LKQ Pick Your Part indicated that they will not proceed with the original proposal, but may participate in some manner as a recipient of vehicles to be scrapped.

Proposal

This action is to execute contracts with FCCC, GNA, and Opus Inspection.

FCCC will establish a bilingual call center, develop a consumer application and website, assist consumers through the vehicle retirement and replacement process, and reach out to transit agencies and other entities to address alternative mobility transportation options. In addition to the call center activities, FCCC plans to target marketing and outreach to 26 communities throughout the South Coast Air Quality Management District that are among the highest percentage of residents with income at the federal poverty level. FCCC will also conduct weekend events at ten community college campuses through the District to target student population who may own EFMP-eligible older cars.

GNA will conduct marketing and outreach targeting three communities to generate interest and participation. GNA will also be working with the local car dealerships and identifying BAR-approved dismantlers for program participants. In addition, GNA will assist program participants on alternative mobility options including local transit pass programs and car-sharing programs.

Opus Inspection will conduct remote sensing measurements of vehicle emissions targeting environmental justice communities. Through the remote sensing data, Opus will e-mail or send postcards to potential participants. Opus also intends to have "Case Managers" to conduct more intensive outreach to attract participation. The Case Managers will also provide one-on-one assistance to program participants to process their vehicles and identify replacement vehicles or one of the other alternative mobility options. In addition, Opus will conduct outreach events at the Roadium Open Air Market located in Torrance, California.

The entities have sufficient related experiences and qualifications to cover the array of tasks required for effective implementation of the EFMP. After discussions with each of the entities, proposal details will be used to allocate program tasks and funding for the execution of multiple contracts. In addition to covering all of the tasks identified in the RFP, an effort will be made to award contracts in a manner that best addresses marketing and outreach in low-income and disadvantaged communities. This includes optimizing the spatial coverage of marketing and outreach efforts, utilizing community-based organizations for outreach, and also supporting event-oriented outreach.

During the RFP process, staff recognized the need to identify additional funding if the various outreach and marketing approaches proposed were to be conducted. However, the EFMP regulation and the GGRF set a 15% limit for administrative purposes including outreach and marketing calculated on the total state funding (or \$210,000, based on the \$1.4 million award and \$150,000 based on the \$1 million award). Consequently, this action also includes using available funds up to \$1,025,000 from the HEROS II Special Revenue Fund (56), which has no administrative or outreach cost restrictions, to complement the \$2.4 million. The HEROS II vehicle replacement incentive was designated for the acceleration of fleet turnover, which is consistent with the objective of the EFMP.

MSRC Partnership

To further augment available funding, staff approached the MSRC regarding a potential partnership with the SCAQMD. Given the flexibility of the use of the voucher for a replacement vehicle, transit passes or car-sharing program, the EFMP is within the MSRC's goals and objectives to reduce criteria pollutant emissions and implementation of transportation control measures to reduce congestion. The MSRC expressed interest in partnering with the SCAQMD and at its November 20, 2014 meeting, approved an allocation of \$800,000 as part of its FY 2014-16 Work Program but requested that the SCAQMD administer the funds. The MSRC's \$800,000 allocation includes \$200,000 to fund the proposal from Top Shelf Consulting, LLC, with the remaining funds to cover vouchers. Top Shelf Consulting will conduct outreach events in communities along the I-710 corridor and will partner with credit unions and other financial institutions that are considered "low-income" by the National Credit Union Administration. Such credit unions or financial institutions have an ability to market their services, particularly auto loans, and specialize in easy one-stop shopping and financing. (Note: The MSRC's work program award is subject to Board approval under a separate Board item from the MSRC.)

EFMP Pilot Retire and Replacement Program Implementation

Using the above funding sources (state and HEROS II fund), the EFMP will be implemented through a coordinated team effort to be conducted by the four eligible proposers: FCCC, GNA, Opus Inspection and Top Shelf Consulting, LLC.

The four proposers will coordinate their activities with SCAQMD staff to ensure that no two activities occur in the same or neighboring communities concurrently. In addition, all activities will carry the same program “branding” to prevent confusion. Lastly, to ensure that consumer protection rights are safeguarded, the four proposers will work closely with each program participant in each step of the process. While program participants will have a choice of replacement vehicles, program participants will be informed on the vehicle’s history (to the extent history information is available), potential vehicle recalls, and given the right to decline the vehicle if desired.

It is anticipated that the activities being proposed will effectively attract participation from the community at-large. However, additional outreach to other sectors of the general population could generate greater participation. Therefore, this action also includes transferring and appropriating \$70,000 from the HEROS II Special Revenue Fund (56) to Science & Technology Advancement’s FY 2014-15 or 2015-16 Budget for SCAQMD to conduct its own outreach and marketing through various media similar to the successful lawn mower exchange program. Staff will also outreach to Rule 2202 employers to solicit participation by eligible employees to either replace their vehicles with more fuel-efficient vehicles or purchase advanced technology vehicles such as dedicated battery electric vehicles or plug-in hybrid vehicles. To further the objectives of Rule 2202, this outreach will encompass Rule 2202 employers for their employees to choose one of the alternative mobility options (i.e., transit passes or car-sharing programs). Lastly, staff has been in discussions with several major transit agencies regarding the EFMP to explore potential outreach campaigns through advertisement to transit riders.

It is estimated that up to 551 to 992 vehicles will be scrapped with full implementation of the Program (a lesser number of vehicles will be scrapped if participants choose one of the alternative mobility options). The number of vehicles depends on the funding levels of the vouchers, which range from \$2,500 to \$4,500 depending on the income level of the participants. An additional financial incentive of up to \$5,000 per vehicle will be provided to eligible participants residing in disadvantaged communities. The final action under this Proposal is to authorize the Executive Officer to approve vouchers to program participants in an amount not to exceed \$3,330,000, which consists of \$2,730,000 from the HEROS II Special Revenue Fund (56), inclusive of the revenue from CARB or BAR allocated for vouchers, and \$600,000 from the MSRC’s work program award allocated for vouchers from the Mobile Source Air Pollution Reduction Fund (23).

Benefits to SCAQMD

Successful implementation of the Pilot Retire and Replace Program element of the EFMP will reduce emissions by accelerating the turnover of high-emitting vehicles with cleaner, more environmentally friendly replacement vehicles or alternatively provide vouchers for public transportation, car sharing and other mobility options. Incentives

for program participation will be provided to low- and middle-income vehicle owners to ensure that their neighborhoods will benefit from cleaner replacement vehicles.

Resource Impacts

The EFMP shall not exceed \$4,225,000, comprised of the funding sources in Table 4.

Table 4. Proposed Funding Sources for Implementation of the EFMP

Amount	Source
\$1,400,000	CARB or BAR(to be recognized in Fund 56)
\$1,000,000	CARB (to be recognized in Fund 56)
\$1,025,000	HEROS II Special Revenue Fund (56)
\$800,000	MSRC Fiscal Year 2014-16 Work Program (Fund 23)
\$4,225,000	Total

The \$4,225,000 is broken down by allocation as follows: \$825,000 for contract awards, \$70,000 for SCAQMD outreach and \$3,330,000 for vouchers for replacement vehicles or alternative mobility options. The \$1.4 million anticipated from the state are funds collected by BAR under the AB118 Program, and CARB is in discussions with BAR at this time to determine the most effective means of providing the \$1.4 million to the SCAQMD. The \$1 million anticipated from CARB are provided from the Greenhouse Gas Reduction Fund collected by the state. Upon receipt, \$2.4 million will be recognized into the HEROS II Special Revenue Fund (56). Of the \$1,025,000 available in the HEROS II Special Revenue Fund (56), \$875,100 is the balance from a \$1,000,000 December 10, 2010 Board approved transfer from AB923 Fund 80 allocated specifically to complement the EFMP replacement voucher funds and an additional \$150,000 is available for outreach and marketing. Finally, if any of the \$70,000 for outreach is unspent, the funds shall revert back to the HEROS II Special Revenue Fund (56). Table 5 shows a breakdown of the funding for implementation of the EFMP including proposed awards.

Table 5. Proposed Funding/Awards for Implementation of the EFMP

Proposed Funding/Awards	Funding	Funding Source
FCCC	\$225,000	\$210,000 – AB 118 from CARB or BAR (10% Administration + 5% Outreach) \$15,000 – HEROS II Special Revenue Fund
GNA	\$200,000	\$150,000 – Greenhouse Gas Reduction Fund \$50,000 – HEROS II Special Revenue Fund
Opus Inspection	\$200,000	HEROS II Special Revenue Fund
Top Shelf Consulting LLC	\$200,000	MSRC Fiscal Year 2014-16 Work Program
SCAQMD Outreach	\$70,000	HEROS II Special Revenue Fund
Funding for Vouchers	\$1,190,000	AB 118 from CARB or BAR
Funding for Vouchers	\$690,000	HEROS II Special Revenue Fund
Funding for Vouchers	\$600,000	MSRC Fiscal Year 2014-16 Work Program
Funding for Eligible Participants Residing in Disadvantaged Communities	\$850,000	Greenhouse Gas Reduction Fund from CARB
Total Funding	\$4,225,000	