

BOARD MEETING DATE: November 2, 2018

AGENDA NO. 6

PROPOSAL: Establish Special Revenue Fund, Recognize Revenue, Execute Agreements for Volkswagen Environmental Mitigation Program and Transfer Funds

SYNOPSIS: On May 25, 2018, CARB approved the Beneficiary Mitigation Plan for the Volkswagen (VW) Environmental Mitigation Trust. This plan identifies five funding categories for the State's \$423 million allocation of the VW Environmental Mitigation Trust. The funded projects are intended to mitigate the excess NOx emissions caused by the VW vehicles. SCAQMD has been identified by CARB as the administrator of two project funding categories—the Zero Emissions Class 8 Freight and Port Drayage Trucks and the Combustion Freight and Marine Projects. These actions are to establish the VW Mitigation Special Revenue Fund (79), recognize revenue up to \$150 million into this special revenue fund, execute an agreement with CARB to administer and implement the two project funding categories, execute a Memorandum(s) of Agreement with other air districts, as needed, to assist in administering this program, and transfer funds from the VW Mitigation Special Revenue Fund (79) to the General Fund to reimburse administrative costs associated with the program.

COMMITTEE: Technology, October 19, 2018; Recommended for Approval

RECOMMENDED ACTIONS:

1. Establish the VW Mitigation Special Revenue Fund (79) and recognize revenue, upon receipt, up to \$150 million into this fund to administer and implement two project funding categories identified in CARB's Beneficiary Mitigation Plan for the VW Environmental Mitigation Trust.
2. Transfer up to 10 percent of the total cost of the eligible mitigation actions from the VW Mitigation Special Revenue Fund (79) to the General Fund (01) to reimburse administrative costs associated with implementing the program.

3. Authorize the Executive Officer to execute the following:
 - a. An agreement with CARB to administer and implement the Zero Emissions Class 8 Freight and Port Drayage Trucks and the Combustion Freight and Marine Projects funding categories for the VW Environmental Mitigation Program; and
 - b. A Memorandum(s) of Agreement with other air districts, as needed, to assist in administering and implementing the Program.

Wayne Natri
Executive Officer

MMM:FM:VW

Background

On May 25, 2018, CARB approved the Beneficiary Mitigation Plan for the Volkswagen (VW) Environmental Mitigation Trust. This plan identifies five funding categories for the State's \$423 million allocation of the VW Environmental Mitigation Trust. The funded projects are intended to mitigate the excess NOx emissions caused by the VW vehicles. SCAQMD has been identified by CARB as the administrator of two project funding categories—the Zero Emissions Class 8 Freight and Port Drayage Trucks and the Combustion Freight and Marine Projects. The Beneficiary Mitigation Plan allocates \$90 million and \$60 million, respectively, for these two categories for a total of \$150 million. The other three project funding categories in the Beneficiary Mitigation Plan will be administered by the San Joaquin Valley APCD and Bay Area AQMD. Staff has been coordinating with CARB and the other air districts to implement the Program including identifying statewide tasks that are needed to conduct effective outreach throughout the state of California.

Funding through the VW Mitigation Program will be available for mostly “scrap and replace” projects in the heavy-duty sector, including on-road freight trucks, transit and shuttle buses, school buses, forklifts, port cargo handling equipment, commercial marine vessels and freight switcher locomotives.

Proposal

These actions are to establish the VW Mitigation Special Revenue Fund (79) and recognize revenue up to \$150 million into this fund to administer and implement two project funding categories--the Zero Emissions Class 8 Freight and Port Drayage Trucks and the Combustion Freight and Marine Projects. This action is to also authorize the Executive Officer to execute an agreement with CARB to administer and implement these two funding categories for the VW Mitigation Program. This is a ten-year grant program with the first installment of funding anticipated in 2019. For the first installment, staff plans to release two solicitations, including a first-come, first-served

announcement for the Zero Emissions Class 8 Freight and Port Drayage Trucks category and a competitive solicitation for the Combustion Freight and Marine Projects category.

SCAQMD will assist the other two air districts in implementing their assigned project funding categories, including but not limited to: program development, outreach, project evaluations, inspections and other tasks necessary to implement this program statewide. It is anticipated that SCAQMD will also need to seek assistance from other air districts to conduct outreach and perform inspections in locations that are outside SCAQMD's jurisdiction. This will require significant collaboration and shared administrative costs with the other air districts. Therefore, this action is to also authorize the Executive Officer to execute a Memorandum(s) of Agreement with other air districts, as needed, to assist in administering and implementing this statewide program. Finally, this action is to transfer up to 10 percent of the total cost of the eligible mitigation actions from the VW Mitigation Special Revenue Fund (79) to the General Fund (01) to reimburse administrative costs associated with implementing the program.

Benefits to SCAQMD

The successful implementation of this program will provide direct reductions in NOx emissions from vehicles and equipment, which are intended to fully mitigate the excess NOx emissions caused by the VW vehicles. Over the ten-year life of this program, CARB estimates a reduction of 10,000 tons of NOx emissions. The projects funded through this program will also reduce emissions of other criteria air pollutants, toxic air contaminants and greenhouse gases. At least 50% of the projects will benefit disadvantaged and low-income communities by reducing NOx emissions and other air pollutants in these communities, as specified in the Beneficiary Mitigation Plan for the VW Environmental Mitigation Trust. This program will also accelerate the deployment of new commercially available near-zero emissions heavy-duty natural gas trucks, which is a key strategy to reducing NOx emissions identified in the 2016 AQMP.

Resource Impacts

Revenue up to \$150 million will be recognized into the VW Mitigation Special Revenue Fund (79) to administer and implement two project funding categories identified in CARB's Beneficiary Mitigation Plan for the VW Environmental Mitigation Trust. Ten percent of revenue received will be transmitted into the General Fund (01) to reimburse administrative costs.