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March 24, 2008

Clerk of the Board
Air Resources Board
California Environmental Protection Agency
1001 "I" Street
Sacramento, California 95814

Subject: Technical Comments on the 2008 Carl Moyer Program Guidelines

Dear Board Members:

The City of Los Angeles Environmental Affairs Department (EAD) appreciates the opportunity to provide technical comments on behalf of the General Services and Environmental Affairs departments regarding the Proposed 2008 Carl Moyer Program Guidelines. As part of its ongoing commitment to the environment, the City of Los Angeles (City) supports cost-effective efforts to improve air quality and is committed to reducing diesel emissions. It should be noted that the City and our contractors are facing tough fiscal challenges due to the current State deficit and the slowed economy. The City is faced with a substantial deficit, hiring freezes, and potential lay offs. The intent of these comments and recommendations is to ensure that grant funding incentives are available for surplus emission reductions. City staff wishes to point out the need for a more heavily incentivized, flexible, and broad grant funding program to support surplus emission reductions and early equipment replacement, in both the public and private sectors. The EAD, therefore, respectfully submits the comments and recommendations below for the ARB's consideration.

COMMENTS & RECOMMENDATIONS

Limited grant funding opportunities exist for public agencies and others under the 2008 Carl Moyer Program Guidelines. City staff believes that the following recommendations will both expand and broaden remaining incentives. Recommendations are detailed below:

1. Incentives for Vehicle Replacement Projects: Currently, the Carl Moyer Program is identified as a major source of funding for early compliance with CARB and local mobile source air pollution reduction regulations. For both on-road and off-road equipment replacement projects, scrapping of the replaced equipment is required. For example, if existing off-road equipment is scrapped, the 2008 Guidelines indicate that up to 80% of off-

road equipment replacement costs can be funded, up to the cost-effectiveness (CE) limit, for early compliance, if a repower is not possible. We appreciate the increased funding percentages allowed in the proposed Guidelines. However, in sample calculations using the 2008 proposed Moyer Guidelines and the CE threshold of $16,000, the actual coverage is much lower and less than half of the replacement costs. If the more competitive off-road CE thresholds (i.e., $5,000 CE) are used, local awards are expected to be much less, around 15% of offroad equipment replacement costs. For public entities with less mileage on their equipment, these ranges are lower and closer to 10%. The lower end of this award range, in many cases, does not cover the lost salvage value of scrapped equipment, thereby creating a disincentive to apply for off-road equipment replacements. For on-road projects, the same is true, as any grant award amount is limited to 25% of replacement costs, and can be even less for lower use public agency equipment. The already low grant award amount is substantially lowered again by the loss of salvage revenue.

The City depends upon salvage revenue to replenish our General Fund, from which new equipment purchases are supported. Salvage revenue is also an important revenue stream for our contractors. The City has a fiscal responsibility to participate in grant programs providing an incentive for applying. Therefore, City staff recommends that when old vehicles are replaced with assistance from Moyer funding, fleet owners should not be required to scrap, but may be allowed to follow something similar to the "vehicle bill of sale disclosure requirement" procedures detailed in Section 2449(j) of the "Offroad In-Use Diesel Vehicle Regulation" or vehicle retirement options similar to Section 2020 of the "Solid Waste Collection Vehicle Regulation" in Title 13, California Code of Regulations.

2. Choice to Replace or Repower Off-road Equipment: Off-road equipment repowers are given higher priority in the Moyer Guidelines than off-road equipment replacements. The off-road replacement equipment guidelines indicate that replacement funding can only be obtained if a repower is not possible. The repower choice, however, may not be the most cost-effective choice for many fleets. In order to reduce the risk and substantial liability involved with equipment frame failure, increased equipment frame maintenance would be necessary for a repower project, and most especially a Tier 0 repower project. Tier 0 (uncontrolled) off-road equipment is the only off-road equipment eligible for replacement funding under the proposed Moyer 2008. The City has limited personnel available to expand maintenance operations due to the budget crisis. Therefore, our first choice would be to replace that equipment rather than risk the expensive liabilities involved with equipment frame failure. For this reason, we wish to keep the repower vs. replacement choice open for fleets. We recommend removing the preference for repowers, or exempting public fleets from this requirement.

3. Air Resources Board Briefings: In the recent Carl Moyer Guidelines Advisory Group meetings, Board member Berg and ARB staff noted that in past Board consideration of new regulations, Board members were not always adequately informed of the impact of new regulations on the eligibility for Moyer funding. We strongly agree that a more complete discussion of Moyer program eligibility be discussed with Board members prior to the consideration and adoption of new regulations. For public agency fleets in particular,

eligibility for any Moyer program is extremely limited, although there are still many opportunities to improve our fleet vehicle profiles. We believe that this year (2008) will likely be the last year that City of Los Angeles fleet vehicles will qualify for Moyer funding, unless it is used for a local mandatory SOON program. We have greatly appreciated past funds, and encourage you to identify other financial and technical assistance programs for public agency fleet participation.

City staff appreciates the dedicated efforts of the State of California in reducing diesel emissions and looks forward to working with the ARB on the path forward to cleaner air.

Sincerely,

Beth Jines
Assistant General Manager

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Attachment

cc: Honorable Jan Perry, Councilmember
Nancy Sutley, Deputy Mayor
James Gibson, Executive Director, Department of Public Work