

November 27, 2007

Douglas Ito  
Goods Movement Strategies Section  
California Air Resources Board  
PO Box 2815  
Sacramento, CA 95812

**SUBJECT: APPLICATION FUNDING REQUEST FOR INITIAL \$25 MILLION  
DISBURSEMENT OF GOODS MOVEMENT EMISSION REDUCTION PROGRAM  
FUNDS**

Dear Mr. Ito:

The Sacramento Metropolitan Air Quality Management District (SMAQMD) is pleased to submit this grant application for \$17,325,000 in early disbursement funds for the Goods Movement Emission Reduction Program (GMERP).

The Sacramento Federal Nonattainment Area (SFNA) is disproportionately impacted by emissions generated through goods movement, specifically along the Interstate 5 & 80 trade corridors and from activity at the Union Pacific J.R. Davis Yard in Roseville. Because of the importance of goods movement to the economic interests of our region, we are prepared to work with the Air Resources Board (ARB) to immediately fund projects in our region to reduce emissions and improve human health to our residents.

Air pollution has been tied to serious health impacts. Studies have linked particulate pollution to premature death in the elderly and other vulnerable populations. Research also shows that children exposed to unhealthy levels of ozone, or smog, suffer decreased lung function growth and increased asthma.

The SMAQMD requested truck dealers in the SFNA to submit truck replacement applications for 1991 to 1998 model year trucks. Response to the District was overwhelmingly positive. Truck dealers submitted signed applications for 328 new truck purchases in less than one month's time. Funding amounts for all trucks were based on GMERP Guidelines of up to \$50,000 per truck

The mileage estimates used are based on the EMFAC 2007 annual average truck mileages. The initial screening for qualifying applications was based on trucks located in the SFNA operating at least 75% in California with a three to five year minimum mileage performance contract. Applications were then ranked on a points system that is outlined in the detailed portion of our application. If the proposed GMERP guidelines are modified to allow 75% operation in California and a minimum contract term of 10 years or 125,000 miles, then the District will consider funding participants at a lower level of up to \$40,000 per truck. If the guidelines are not modified, we will need to keep the higher funding level per vehicle. For three year contracts the average cost effectiveness is very good using the Moyer and EMFAC 2007 methodology. In addition, using the lower funding level at \$40,000 per truck would allow the District to fund an additional 82 trucks.

The GMERP guidelines and early allocation funding are scheduled to be approved by the Air Resources Board (ARB) on January 24, 2008. Providing the early allocation funds are distributed to the District by the early part of March, the District will be able to execute contracts for about 330 new trucks before the June 30, 2008 deadline, and some trucks may be delivered by this date. The District has been assured by several truck manufacturers that they can deliver all of the new trucks by December 31, 2008. Further details about the inspections, contracting, invoicing, and auditing are included in the detailed portion of our application.

We look forward to working with the Air Resources Board to reduce the health impacts of air pollution associated with Goods Movement in the Sacramento region. If you have any questions, please contact Mike Neuenburg (916) 874-1676 or Tim Taylor (916) 874-4814.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Greene". The signature is fluid and cursive, with a long horizontal stroke at the end.

Larry Greene  
Air Pollution Control Officer  
Sacramento Metropolitan Air Quality Management District

# **DETAILED PROPOSAL**

## **1.0 GEOGRAPHIC COVERAGE**

Targeted Trade Corridors for the Sacramento Metropolitan Air Quality Management District (District): The targeted trade corridors are broken down into two (2) priorities, primary and secondary. The District's GMERP will benefit the following areas:

- Primary – Central Valley, Sacramento Federal Non-Attainment Area (SFNA)
- Secondary – Central Valley, San Joaquin Valley Air Basin; Bay Area;

Highly Impacted Areas:

Within the targeted trade corridors there are highly impacted areas. Table 1 below lists zip codes for those areas within the SFNA that are considered to be highly impacted according to the Districts AB 1390 policy. Over 50% of the trucks applying to the District are located in an AB 1390 Environmental Justice (EJ) Zone. However, the District anticipates that almost all of the trucks will operate part of the time within the AB 1390 EJ Zones.

Table 1

<b>AB 1390 Environmental Justice Zone Zip Codes</b>								
<b>Zip code</b>	<b>County</b>		<b>Zip code</b>	<b>County</b>		<b>Zip code</b>	<b>County</b>	
94512	Solano		95645	Sutter	(Partial)	95814	Sacramento	
94571	Sacramento	(Partial)	95645	Yolo	(Partial)	95815	Sacramento	
94571	Solano	(Partial)	95653	Yolo		95817	Sacramento	
95602	Placer		95655	Sacramento		95820	Sacramento	
95603	Placer		95659	Sutter		95822	Sacramento	
95605	Yolo		95660	Sacramento		95823	Sacramento	
95606	Yolo		95662	Sacramento		95824	Sacramento	
95607	Yolo		95667	El Dorado		95825	Sacramento	
95608	Sacramento		95668	Placer	(Partial)	95826	Sacramento	
95612	Solano	(Partial)	95668	Sutter	(Partial)	95827	Sacramento	
95612	Yolo	(Partial)	95670	Sacramento		95828	Sacramento	
95615	Sacramento		95673	Sacramento		95831	Sacramento	
95616	Solano	(Partial)	95674	Sutter		95832	Sacramento	
95616	Yolo	(Partial)	95677	Placer		95833	Sacramento	
95620	Solano		95687	Solano		95835	Sacramento	
95627	Yolo		95690	Sacramento	(Partial)	95836	Sacramento	
95632	Sacramento		95690	Solano	(Partial)	95837	Sacramento	(Partial)
95637	Yolo		95691	Yolo		95837	Sutter	(Partial)
95639	Sacramento		95695	Yolo		95838	Sacramento	
95641	Sacramento		95709	El Dorado		95841	Sacramento	

## **2.0 MARKETING/OUTREACH**

District staff held workshops with all major truck dealerships in the Sacramento area to describe the GMERP. These dealers' sales territories cover the SFNA and beyond. These workshops provided dealers with information on the operation and requirements of the program and outreach packets to distribute to their customers. All dealer representatives were very enthusiastic about this program. The contents of the Districts Goods Movement Fleet Modernization (GMFM) Program Outreach Packet are listed in Table 2.

Table 2

Outreach Material	Purpose of Material(s)
General Overview brochure	Displays major attributes of GMFM program
Frequently Asked Questions sheet	Discussion of GMFM program details
Application Deadline sheet	Emphasizes initial due date for program applications
SMAQMD Incentive Programs Application	Standard application for all District incentive programs
Applicant/Dealer Checklist	List of all required information and validating documents for applicant and truck dealer

### 3.0 OLD VEHICLE

To be eligible for the Districts GMERP applicants must have vehicles that meet the following criteria.

- Old vehicle must be over 33,000 lbs. Gross Vehicle Weight Rating (GVWR) (Class 8) with a 1991-1998 model year diesel engine
- Any vocation vehicle operating in California at least 75% of the time, assuming GMERP guidelines are modified
- Old vehicle must have been owned by the applicant for the previous two (2) years
- Terminal\* of old vehicle must be within the SFNA for the previous two (2) years
- Old vehicle must be in operational condition and (at least) still be operating on a part-time or seasonal basis
- Old vehicle must be turned in for salvage to the participating truck dealership in the same operating condition as documented in the first vehicle inspection

\* terminal for the vehicle as used in the California Biennial Inspection of Terminals program

#### 3.1. NUMBER OF TRUCKS TARGETED FOR REPLACEMENT

The number of trucks proposed for replacement is based upon the District applications received from the truck dealers. These applications were part of the GMERP Marketing and Outreach packets distributed at the workshops. The dealers contacted and informed their customers about the GMFM program. Their customers filled out applications, returned them to the dealer, who then forwarded them to the District. Each application may contain multiple trucks for replacement. Based on this marketing and outreach effort the District has received applications for the replacement of approximately 330 trucks. A list of the current companies the District has on file applying for funds is provided on attachment A.

#### 3.2. OLD VEHICLE OPERATING ASSUMPTIONS

This information and calculations are based upon EMFAC 2007 model data. The model calculated the following average for Heavy Duty Diesel truck model years 1991 – 1998.

- Average age: 1994
- Average annual VMT: 34,000

## **4.0 NEW VEHICLE**

New vehicles must meet the following specifications and operating conditions to be eligible as a replacement vehicle for the program.

### **4.1. NEW VEHICLE SPECIFICATIONS**

- Must meet 2007 emission standards
- Must use same fuel as old vehicle (diesel)
- Must be same vehicle weight class as old vehicle, over 33,000 lbs GVWR (Class 8)

### **4.2. NEW VEHICLE OPERATING ASSUMPTIONS AND USAGE REPORTING:**

- At least 75% of new vehicle operation must be in California, assuming GMERP guidelines are modified
- Must operate new vehicle in same vocation as old vehicle
- Must operate new vehicle a minimum of 125,000 miles or 10 years (which ever comes first) to fulfill contract requirements
- Must have Global Position Satellite (GPS) unit installed with monitoring service by the time incentive funds are paid to applicant and dealer. Applicant is responsible for the cost of a GPS unit with monthly monitoring data service while under contract. Annual mileage and verification of at least 75% operation in California must be submitted to the District by the GPS monitoring service.
- New vehicle must meet 2007 emission standards (FTP Certification at or below 1.4 g/bhp-hr NMHC+NO<sub>x</sub> and 0.01 g/bhp-hr PM)

## **5.0 PROJECT REQUIREMENTS**

The Districts GMERP requires that applicants and the dealers provide supplemental information to prove their eligibility for the program.

### **5.1. APPLICATION DOCUMENTATION (APPLICANT)**

Applicants are required to provide the following supplemental documentation to be eligible for funding.

- Completed application signed and dated in ink
- County of Sacramento payee data record (W-9 waiver form)
- Certificate of \$1,000,000 liability insurance for the current year
- Copy of old vehicle title
- Copy of prior two years of DMV vehicle registration
- Copy of prior two years of vehicle insurance cards
- Copy of California Biennial Inspection Report showing proof of vehicle terminal location in the SFNA
- Copy of International Fuel Tax Association (IFTA) Reports to determine minimum 75% of total operation in California
- Proof of vehicle vocation (example: job tickets / job receipts)
- Proof of travel through multiple Trade Corridors if applicable for Extra Qualifying Points (example: job tickets / job receipts)

- Turn in old vehicle with signed title to truck dealership for salvage (after replacement vehicle is received)
- Annual certificate of \$1,000,000 liability insurance with the District listed as co-Insured for contract term (after project is approved)

## **5.2. APPLICATION DOCUMENTATION (DEALER)**

In addition to helping the applicant through the application process the dealer must provide the following documentation for each vehicle.

- Replacement vehicle price quote and specification sheet
- Replacement engine certification for proof of 2007 emission standard
- Copy of replacement engine warranty
- Final invoice of new vehicle
- Proof of applicant's cost share payment
- Copy of signed old vehicle title when applicant turns in old vehicle to truck dealership for salvage
- Copy of replacement vehicle title with the District listed as lien holder for contract term

## **5.3. PROJECT RANKING CRITERIA**

We will use a ranking system to choose the most cost-effective projects to fund based on the criteria listed below. Each category met will receive one (1) point. Projects with the highest number of points will be funded first. Projects containing the same number of points will be funded in the order they were received.

- California-only operation, assuming GMERP guidelines are modified
- Operation in two or more trade corridors
- Terminal\* with in an Environmental Justice zip code --- see Table 1 above
- EPA Smartway Certified Vehicle (replacement vehicle)
- Vehicle equipped with on-board idle reduction technology (replacement vehicle)

\*terminal for the vehicle as used in the California Biennial Inspection of Terminals program

## **6.0 STAFF RESOURCES**

The District has an excellent staff that is ready to meet the challenge of implanting the goods movement funding. Staff has encumbered over \$56 million during the last two years and can easily absorb additional funding from the GMERP. The Mobile Source Division is currently budgeted for 15 staff including a division manager, a program supervisor, two program coordinators, four specialists doing inspections and outreach, along with seven engineers/planners doing contract development and invoicing work. The District also has Administrative and Legal resources available to fully implement and maintain the GMERP. The District will allocate the staff resources needed to successfully manage the goods movement funds in an expeditious manner and maintain program integrity throughout the life of the project.

## **7.0 FUNDING PROPOSAL**

The District is requesting \$16,500,000 million in project funds along with \$825,000 in administrative funds bringing the total funding request to \$17,325,000. Currently the District has about 330 trucks applying for truck replacements using the early GMERP funds and the District will fund up to \$50,000 per truck. In the event the GMERP guidelines are modified for 75% operation in California and the provision of a 10 year contract or 125,000 mile minimum contract life, the District may be able to fund trucks at \$40,000 per truck and would be able to stretch the grant towards another 82 trucks. If the guidelines are not modified, we would have to move to the higher funding level and would not be able to do as many vehicles. Based on the overwhelming response received in just a few weeks, the District believes it would have no issue finding additional participants.

Estimated cost effectiveness for these trucks based on Moyer and EMFAC 2007 methodology for a three year contract is very good, and is well below the Moyer maximum cost effectiveness threshold of \$14,300 per ton of emissions reduced.

Currently, the District estimates new truck pricing is approximately \$110,000 per truck excluding taxes and licensing. The total cost of the program not including staff resources is estimated to be between \$36.3 million and \$45.3 for 330 to 412 trucks. The grant is estimated to cover between 36% and 45% of the base purchase price per truck and would easily meet the funding goals of the GMERP. The District does not have any matching funds available for the program.

The SMAQMD requests that 5% of the grant awards funded under the GMERP be available to offset the significant administration costs of the program. Our staff is responsible for developing, marketing, processing, and auditing each project which results in a robust and accountable emission reduction program. This requires additional staff resources which is a necessary cost to find and develop new emission reduction projects. We feel that 5% is a fair amount that will help to offset our costs in administering an effective program while ensuring maximum funding available to low emission vehicle and engine technology.

## **8.0 EARLY GRANT MILESTONE REQUIREMENTS**

In anticipation of soliciting for GMERP funds, the District began a Marketing and Outreach program to determine interest. The Marketing and Outreach resulted in applications for 328 trucks, model year 1991-1998. These applications are on file with the District, so as soon as funds become available Project Managers can begin processing. This will provide ample time to have contracts signed by the June 30, 2008 deadline. Local truck dealers have assured the District that the new trucks can be delivered and operational by the December 31, 2008 deadline.

### **8.1. APPLICATION PROCEDURE OVERVIEW**

District staff will process projects according to the following procedure.

1. Applicant submits a complete application including all supplementary documentation to the District for evaluation
2. Applications will be assigned to a Project Manager for review
3. Project Manager will review application and supporting documentation. Applicants will be contacted within 3-5 business days to confirm approval or discuss problems with the application

4. Applicants will then be contacted by an Inspector to perform a visual and operational inspection of the old vehicle to verify eligibility
5. Projects will be sorted based on Extra Qualifying Points and application received date
6. Following approval, funding agreements will be circulated to the applicant and the District, for signatures (a wet copy of the executed agreement will be returned to the applicant)
7. After the applicant receives a fully executed funding agreement, the applicant may purchase the low emission technology and subsequently invoice the program for reimbursement
8. Applicant will be contacted by an Inspector to perform a visual and operational inspection of the new vehicle to verify eligibility
9. The old vehicle will also be inspected again by an Inspector prior to its delivery to an approved salvage yard to verify that it still meets program requirements
10. Old vehicle sent to salvage yard (frame rail cut and 3-inch diameter hole cut into engine block) and old vehicle title processed with Department Motor Vehicle as non-repairable
11. Salvage inspection of old vehicle & non-repairable title verified
12. Upon receipt of all signed invoices, inspections, and tax information, the Project Manager will submit payment for the amount authorized in the funding agreement
13. Applicant will then be responsible for meeting all requirements in the funding agreement for the term of the agreement including operation, audit, and recordkeeping requirements. Annual mileage and in-state operation verification obtained via the program participant's GPS service provider

## 8.2. PROJECT SCHEDULE

The following table is an estimated timeline for each project. This timeline is based on the Districts existing incentive programs, and ensures the District will meet the June 30, 2008 and December 31, 2008 deadlines.

<b>Estimated Process Timeline</b>	
<b>Activity</b>	<b>Estimated Completion Time*</b>
Evaluation of application	5 Business Days
Pre-inspection	1-2 weeks
Contract Approval	2-3 weeks
New-vehicle purchased	Up to 3 months
Post-inspection	1-2 weeks
Review and process invoices	1-2 weeks
Grant Reimbursement	3-4 weeks
<b>Total Time Start to Finish</b>	<b>5 to 6.5 months</b>

\*Timeline may vary due to staff workload and applicant availability

## Attachment A

### List of Participants Applying for GMERP Funds

Company Name	Number of Trucks	Old Truck Model Yrs	Company Name	Number of Trucks	Old Truck Model Yrs
Adams Transport	1	1997	James Swafford Trucking	1	1993
Aggregate, Asphalt & Dirt Hauling	16	1992-97	Joe Will Truck It	1	1994
All Star Rents	5	1991-98	KML Transport	2	1995-98
Ampac Services Inc.	1	1998	Lidhar Trucking	1	1992
B&G Delivery System	2	1993	Markstein Beverage Co.	9	1991-97
Barnala Trucking	1	1992	Matt Pacchetti	1	1991
Bassi Trucking Inc.	12	1991-96	McCleron General Eng.	1	1993
BC Leasco	20	1992-96	MCM Construction	2	1996-97
Bettencourt	1	1996	Mid Valley Trucking	6	1992-97
Bill Gould Trucking	2	1997	Mike Lowrie Trucking	5	1994-96
Blain Stumpf Trucking	3	1989-94	MS Trucking	1	1995
BRAR Trucking	1	1995	Muse Concrete Contractors, Inc.	1	1992
Bresnyan Carrier	1	1995	Nor Cal Beverage	11	1991-98
Building Supply & Lumber Co. Inc.	1	1994	Pacific Coast Supply LLC	7	1993-97
Calif. Equip. LLC	1	1993	Patco Trucking Inc.	4	1993-97
Calvada Sales Company	2	1991-94	Ramos Environmental Service	2	1992-96
Capital Beverage Co.	1	1994	Ramos Tank Lines	1	1998
Chavez Trucking	1	1996	Roy E. Lay Trucking	8	1992-95
College Oak Towing	5	1993-98	Saccami Dist. Co.	5	1991-94
Dave Trucking	1	1996	Sacramento Coca Cola Bottling Co.	22	1995
Del Paso Pipe & Steel	1	1998	Sacramento Prestige Gunite	2	1995-97
Dependable Highway Express	27	1991-97	Scott Gemignani Trucking	1	1997
Devine Intermodal	16	1997-99	Sierra Valley Moving and Storage	1	1995
Dhillow Trucking Inc.	4	1994-98	Silverado Building Materials	10	1996-98
Dhindsa Trucking	1	2009	Soares Trucking, Inc.	1	1979
Double M Trucking Inc.	6	1994	Surinder Singh	1	1995
Dulai Trucking	1	1994	Tim A. Manley Truck Inc.	1	1991
Ed Jones Food Service, Inc.	2	1991-93	Tim Arba Trucking	1	1994
Equipment Distributors	2	1996	Troy Scott's Custom Grading Inc.	2	1993-95
Fremolw Environmental Service Inc.	1	1993	VA Farms Inc	7	1992
Garrison Trucking	1	1989	Valley Aggregate Transport Inc.	10	1991-95
General Produce	6	1993-98	Valley Farm Transport	16	1992-98
Geremia Equipment	19	1981-96	William G. Pimental	1	1994
GM Trucking	1	1996	Williams Lumber	17	1991-98