

**SACRAMENTO METROPOLITAN  
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of **May 27, 2004**

**To:** Board of Directors  
Sacramento Metropolitan Air Quality Management District

**From:** Norm Covell, Air Pollution Control Officer  
Sacramento Metropolitan Air Quality Management District

**Subject:** Identification of Target Strategies for the 2004 SEED Funding Cycle

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**Recommendation** Approve the list of target programs for SEED funding and direct staff to prepare and publish a Request for Proposals.

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**Background** The Solutions for the Environment and Economic Development (SEED) program provides funding for innovative emission reduction programs. The source of these funds is the revenue generated from loans of emission reduction credits under Rule 205 -- COMMUNITY BANK AND PRIORITY RESERVE BANK. Emission reduction credits resulting from SEED-funded programs are to be deposited in the Community Bank.

Section 318 of Rule 205 specifies the steps required for the disbursement of funds:

1. By April of each year, the Board, based on a recommendation from the Air Pollution Control Officer, identifies preferred programs for generating emission reductions.
2. By June of each year, staff prepares and publishes a request for proposals (RFP) to solicit proposals for qualifying emission reduction programs.
3. By October of each year, the Air Pollution Control Officer recommends a ranking of programs selected for funding, and the Board accepts or rejects the list *in toto*.

The 2003 RFP cycle, which was recently completed, resulted in the commitment of \$360,000 of SEED funds for the reduction of emissions from heavy duty diesel engines. Since the inception of the SEED program, approximately \$711,000 has been disbursed or is committed for funding qualified emission reduction projects.

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**Preferred  
Emission  
Credit  
Generating  
Programs**

Staff has identified the following emission reduction strategies that potentially may provide viable emission credit generating programs for SEED funding.

1. Locomotives (emission controls or idling reduction).
2. Heavy Duty Diesel Vehicles and Engines (emission controls or idling reduction).
3. Regulated Boilers or Stationary Internal Combustion Engines (reductions beyond current regulatory requirements).
4. Residential Water Heaters (replacement of gas-fired water heaters with electric or solar water heating systems).

Other projects also may apply if they meet the selection criteria.

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**Selection  
Criteria**

In order to create emission reduction credits for deposit in the Community Bank, SEED-funded programs must generate emission reductions within the boundaries of Sacramento County. In addition, strategies targeted for SEED funding must meet both U.S. Environmental Protection Agency (USEPA) criteria used for approving emission credits and additional criteria developed for the SEED program.

USEPA Criteria. USEPA requires that emission reduction credits be:

1. Surplus of the State Implementation Plan (SIP) and other regulatory programs.
2. Quantifiable.
3. Enforceable.
4. Real.
5. Permanent.

SEED Criteria. Rule 205 further requires selection criteria to include:

1. Cost effectiveness.
  2. Emission reduction potential.
  3. Technical feasibility.
  4. Confidence.
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**Funds  
Available**

Total funding available at this time is approximately \$69,500. Staff anticipates loan activity completed by May 31, 2004 will generate an additional \$20,500, for a total of approximately \$90,000 available for this RFP.

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**Next Steps**

With Board approval, staff will publish an RFP in June 2004. The total amount available for the 2004 funding cycle will be determined by staff and included in the RFP. Responses to the RFP will be evaluated according to the selection criteria. Staff will return to the Board in October 2004 with a list of those responses that meet the selection criteria and sample contracts for Board approval.

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Respectfully Submitted

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Norm Covell; Air Pollution Control Officer  
Sacramento Metropolitan  
Air Quality Management District

Attachment: Resolution

RESOLUTION NO. AQM \_\_\_\_\_  
BOARD OF DIRECTORS  
OF THE SACRAMENTO METROPOLITAN AIR QUALITY  
MANAGEMENT DISTRICT

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District adopted Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK; and

WHEREAS, Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK, Section 318.2, authorizes the publication of a request for proposals to disburse SEED funds, generated from the leasing of emission reduction credits, to qualified emission reduction programs; and

WHEREAS, Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK, Section 318.1, requires the Board of Directors, upon recommendation from the Air Pollution Control Officer (APCO), to identify preferred emission reduction credit generating programs for funding; and

WHEREAS, the Board of Directors has determined that the following strategies should be preferred by the APCO when selecting emission reduction programs for funding: locomotives, heavy duty diesel vehicles and engines, regulated boilers or stationary internal combustion engines, and residential water heaters.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Sacramento Metropolitan Air Quality Management District approves the recommended target programs for generating emission reduction credits; and

BE IT FURTHER RESOLVED THAT this Board directs staff to prepare and publish a request for proposals for funding qualified emission reduction strategies.

RESOLUTION NO. AQM \_\_\_\_\_  
BOARD OF DIRECTORS  
OF THE SACRAMENTO METROPOLITAN AIR QUALITY  
MANAGEMENT DISTRICT

ON A MOTION by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_,  
the foregoing resolution was passed and adopted by the Board of Directors of the  
Sacramento Metropolitan Air Quality Management District, State of California, this 27th  
day of May 2004, by the following vote, to wit:

AYES: Directors

NOES: Directors

ABSENT: Directors

\_\_\_\_\_  
Chairperson of the Board  
Sacramento Metropolitan Air  
Quality Management District  
State of California

(SEAL)

ATTEST: \_\_\_\_\_  
CLERK OF THE BOARD  
Sacramento Metropolitan Air Quality Management District