

**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of **April 28, 2005**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene, Air Pollution Control Officer
Sacramento Metropolitan Air Quality Management District

Subject: Identification of Target Strategies for the 2005 SEED Funding Cycle

Recommendation

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

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*.

A total of approximately \$516,000 is expected to be available to fund projects through the 2005 RFP.

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 (engine replacement, emission controls or idling reduction).
2. On-Road or Off-Road Heavy Duty Diesel Engines (early replacement of engines or vehicles ahead of standards, emission controls or idling reduction).

3. Regulated Boilers or Stationary Internal Combustion Engines (reductions beyond current regulatory requirements, such as early replacement of equipment ahead of standards, use of equipment cleaner than standards, or retrofit of equipment that is exempt from standards).
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.

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 \$508,500. Staff anticipates loan activity completed by May 31, 2005 will generate an additional \$7,500, for a total of approximately \$516,000 available for this RFP. The actual available funding at the close of the RFP will be allocated.

Next Steps

With Board approval, staff will publish an RFP in June 2005. The total amount available for the 2005 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 2005 with a list of those responses that meet the selection criteria and sample contracts for Board approval, as well as the total funding being allocated.

Respectfully Submitted

Larry Greene; 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, on-road or off-road heavy duty diesel 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 28th
day of April 2005, 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