

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Policies and Procedures for Administration of the Community Air Protection & Community Air Protection Funds (Community Air Protection Program)

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I. Introduction

Assembly Bill (AB) 617 (Chapter 136, Statutes of 2017) directed the California Air Resources Board (CARB or Board), in conjunction with local air quality management Districts and air pollution control Districts (air Districts) to establish the Community Air Protection Program. AB 617 provides a community-focused action framework to improve air quality and reduce exposure to criteria air pollutants and toxic air contaminants (TACs) in the communities most impacted by air pollution. AB 617 calls for CARB and the air Districts to actively engage with members of heavily impacted communities, follow their guidance, and address local sources of concern. AB 617 includes a variety of strategies to address air quality issues in impacted communities, including community-level monitoring, uniform emission reporting across the State, stronger regulation of pollution sources, and incentives for both mobile and stationary sources.

To support the AB 617 effort, the California Legislature (Legislature) has appropriated incentive funding to support early actions to address localized air pollution in the most impacted communities. Between fiscal years 2017-18 and 2018-19, the state budget has appropriated CARB a total of \$495 million of California Climate Investments funding for Community Air Protection (CAP) incentives to be administered by air Districts in partnership with local communities. The Legislature appropriated \$250 million in the Budget Act of 2017, as amended by AB 134 (Chapter 14, Statutes of 2017), and an additional \$245 million in the Budget Act of 2018, as amended by Senate Bill (SB) 856 (Chapter 30, Statutes of 2018). This funding emphasizes cleaner vehicles and equipment with priority on community guided zero-emission projects.

The Legislature directed that air Districts spend the funds appropriated in AB 134, AB 74 & SB 856 on mobile source projects pursuant to the Community Air Protection, Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) and the Proposition 1B Goods Movement Emission Reduction Program (Proposition 1B Program). The Legislature expanded the scope of the CAP incentives appropriated in SB 856 to include additional project types. The project types called for in SB 856 include:

- Mobile source projects. Eligibility continues through either the Moyer Program or the Proposition 1B Program, with a focus on zero-emission equipment.
- Zero-emission charging infrastructure projects. Eligibility continues with a focus on medium- and heavy-duty vehicle infrastructure.
- Stationary source projects. New eligibility for the replacement of equipment at locations of stationary sources of air pollution not subject to the Cap-and-Trade Program, which will result in direct reductions of TACs or criteria air pollutants.

- Community-identified projects. New eligibility for programs developed by an air District consistent with the actions identified in the applicable Community Emissions Reduction Program pursuant to AB 617, provided there is community input through a public process.

The Guidelines require that each participating District establish policies and procedures for administration of the Community Air Protection Program. This document is the San Joaquin Valley Air Pollution Control District's (DISTRICT) Policies and Procedures manual which contains procedures for the day-to-day operation of the Community Air Protection Program to meet the requirements of the California Health and Safety Code, 2011 published Guidelines, CARB Mail outs, and internal DISTRICT policies and procedures. The DISTRICT Policies and Procedures manual (Policies and Procedures) does not replace the Community Air Protection Program Guidelines, but is intended to provide direction and procedures for the DISTRICT's implementation of the Community Air Protection Program.

This document is intended to be supplemental to the CARB's Community Air Protection Incentive 2019 Guidelines and CARB Mail outs. In the unlikely event that there is a conflict between the CARB documents and this document, CARB documents supersede this document. DISTRICT staff has a copy of, or direct access to, the 2019 published Guidelines, pertinent CARB Mail outs, and the DISTRICT Policies and Procedures manual, and are directed to utilize and refer to these documents in the administration and implementation of Community Air Protection Program projects. The 2019 Guidelines and this Policies and Procedures document are used as guidance for the implementation and administration of the DISTRICT's Community Air Protection Program. Program documents (i.e., applications, guidelines, contract boilerplates, correspondences, monitoring inspection forms, etc.) used in the implementation and administration of the DISTRICT's Community Air Protection Program are included as appendices to this document.

II. Program Structure and Organization

Within the DISTRICT, three separate sections are directly involved in the implementation of the Community Air Protection Program:

- **Grants & Incentives Department** (Incentives)
 - Incentives is responsible for the direct administration of the Community Air Protection Program
- **Administrative Services Finance section** (Finance)
 - Finance provides internal fiscal oversight of program funds.
- **Compliance Department** (Compliance) under the Compliance Assistance & Resources Workgroup
 - Compliance provides assistance with the inspection phases of the program

Grants & Incentives Department conducts the day-to-day administration and operation of the Community Air Protection Program. General responsibilities assigned to Grants & Incentives staff include, but is not limited to, the following:

- Air Quality Technicians (AQT) and Air Quality Assistants (AQA): receives applications and evaluates them for completeness; enters application information into the DISTRICT's internal database, Grants Management System (GMS); prepares and executes project contracts; evaluates annual reports for completeness; and mails correspondences to applicants, including annual reports.
- Air Quality Specialists (AQS): performs detailed review and evaluation of program applications and inspection reports to determine project eligibility; performs incentive and cost-effectiveness calculations; serves as the point of contact for all questions from applicants and dealers; conducts outreach workshops; assists in the development of program components; performs follow-up on deficient annual reports; performs internal audits; enters project information into the CARB's Clean Air Reporting Log (CARL); and processes claim for payment requests for reimbursement.
- Senior Air Quality Specialists (Senior AQS): provides program support for AQS and AQT staff; develops new and revises existing program components; reviews processed projects prepared by AQS staff to ensure program requirements are met prior to awarding contracts; reviews internal audit findings for completeness; reviews claims processed by AQS staff to ensure funds are accurately expended; reviews data inputted into the CARL database to ensure accuracy; tracks fund accounts; and prepares required program reports, such as the Yearly Report.
- Supervising Air Quality Specialist (Supervising AQS): submits application for Community Air Protection Program funds; provides final approval for projects to be contracted and claims to be reimbursed; directly communicates with CARB Community Air Protection Program liaison and CARB program managers to ensure the proper administration of the Community Air Protection Program; tracks funds to ensure expenditure and liquidation deadlines are met; and works directly with DISTRICT executive management staff to develop internal program priorities and policies.

In addition, the Grants & Incentives Department accounts for all the reductions achieved by the Community Air Protection Program in the DISTRICT's particulate matter and ozone attainment demonstration plans.

With CARB responsible for the overall management of program funds and program oversight, the Grants & Incentives Department works directly and closely with CARB staff to coordinate efforts to efficiently and properly administer the Community Air Protection Program. CARB has assigned a Community Air Protection Program staff liaison for each District. Monthly conference calls with the DISTRICT's liaison and CARB program managers are established to communicate program concerns, discuss case-by-case situations, clarify elements of the Guidelines, etc., to ensure the integrity of the Community Air Protection Program is upheld. DISTRICT staff

shall document any relevant correspondence with CARB staff that pertains to the Community Air Protection Program Guidelines. All documentation shall be kept in the Community Air Protection Program funded project files. All e-mails from CARB staff received by any member of the SI staff that provides approval, guidance, or clarification are stored electronically. If the correspondence pertains to a specific project, an electronic copy of the correspondence is kept on the SI server in a computer folder named with the project number containing all electronic documents for the project, as well as, stored in an electronic file system called the Electronic Data Management System (EDMS).

The CARB & CAPCOA grants committee hold Community Air Protection Program Incentive Program Implementation meetings monthly, or as needed. These meetings give the DISTRICT the opportunity to be involved in the formation of Mail outs and guideline modifications, keep informed about other local District Community Air Protection Program activities, and to be informed on related CARB activities. An Incentives section Supervising AQS, or designated staff, attend the meetings.

The Compliance department provides assistance to the Incentives section by performing the majority of the on-site inspections required to accurately evaluate projects, including: pre-inspections, post-inspections, and audit inspections as necessary. During on-site inspections, Compliance inspectors visually verify the operational condition of the project equipment, complete an inspection report to verify equipment information, and take photographs of the project equipment for Incentives staff to use in evaluating the project.

The Finance section in the Administrative Services department provides fiscal oversight and review of all program funds in the Grants & Incentives department, including funds used for Community Air Protection Program projects. Disbursement funds from CARB are received and processed by the Finance section. Program administration funds and project funds are tracked separately, and Finance staff posts the funds in separate accounts by funding year and fund type. Alongside other program funds, the Finance section also tracks all interests earned from program funds and posts those interests in accounts for Incentives staff to expend. For all Community Air Protection Program projects, checks are disbursed to program applicants through the Finance section. The Finance section keeps a separate set of fiscal records for each project funded by the Incentives department. Finance section records are reconciled with Grants & Incentives Department records on a routine basis to ensure fiscal program integrity and to maintain quality control with program funds.

III. Solicitation of Funds from CARB

Each year, CARB will determine the funding amounts allocated to each air district, depending upon on previous Legislative precedents and/or CARB's guiding principles detailed in the Guidelines. CARB shall notify each qualifying air District of the final grant awards on an annual basis, which shall also include a Grant Agreement for the

local air District's Air Pollution Control Officer (APCO) to review and sign for execution.

The Grant Agreement shall detail CARB's timeline for the different funding actions, which may vary from year to year depending on the Governor's State Budget appropriation and CARB's approval of new selected communities. The DISTRICT will adhere to CARB's timeline, and any subsequent changes made by CARB to the timeline, to execute contracts and expend funds.

If any funds are returned to CARB by local air Districts, CARB may reallocate those funds by adding them to the subsequent Community Air Protection Program funding cycle.

In order to receive the Community Air Protection Program funds, the DISTRICT will perform the following actions each year:

1. The DISTRICT will submit a Grant Disbursement Request to CARB by May 1st each year to receive its disbursement of program funds within the fiscal year.
2. The DISTRICT will ensure the liquidation of all prior Community Air Protection Program awards according to the timeframes of the applicable Grant Agreement, which will be demonstrated in the previous Yearly Report.
3. The completed Grant Disbursement Request will be reviewed to ensure the following are included:
 - Documentation detailing the public process of soliciting project ideas to community groups and local residents, including a summary of the results of this process.
 - A list of all projects that have been received and currently under review by DISTRICT staff, or have received executed contracts but have not been paid out yet, or projects that have been approved by the DISTRICT Governing Board.

After accepting the annual grant award with the submittal of the signed Grant Agreement to CARB, the DISTRICT will submit a Grant Disbursement Request to CARB to receive its disbursement of program funds. If there are any stipulations in the Grant Agreement, the DISTRICT will ensure any such stipulations are met before CARB disburses any funds.

IV. Liquidation

By June 30th of each year, the DISTRICT shall have liquidated all Community Air Protection Program funds associated with the liquidation deadline in the respective Grant Agreement, as well as any other funds in the applicable funding target.

A project's funds are considered to be liquidated for the purpose of progress tracking if all invoices associated with the project under contract have been paid and the equipment post-inspected. Funds that have been liquidated on a given project but

are later returned to the DISTRICT are considered recaptured funds. For the purposes of progress tracking, such funds will be considered to be liquidated with regard to the original project, but will be added to the contract execution, expenditure, and liquidation targets of the current funding year as a funding year adjustment when the funds are returned. Each project's contract shall be liquidated within four years from the original date of contract execution. Under no circumstances may the liquidation date be extended beyond four years from the original date of contract execution.

The DISTRICT will take all actions necessary to meet State expenditure and liquidation deadlines established in the Guidelines. In addition, the DISTRICT will make full efforts to meet the target deadlines stated in the Grant Agreement. On a weekly basis, a financial report listing all funds and their respective accounts is provided to Grants & Incentives staff to monitor the progress of expending Community Air Protection Program funds. For each fund, the report details the available balance in the account, and also includes what portion of the fund is obligated, expended, and liquidated.

To ensure Community Air Protection Program funds are expended and liquidated in a timely manner, projects associated with the funds are tracked and reviewed against expenditure and liquidation deadlines on a routine basis. Program applicants with projects nearing any expenditure or liquidation deadlines are notified by Grants & Incentives staff to ensure projects will be completed in a timely manner. If the DISTRICT anticipates being unable to meet an expenditure and/or liquidation deadline, and/or target, reasonable notification will be made to the DISTRICT's Community Air Protection Program liaison at CARB for guidance to remedy any shortfalls. Any such underperformances will be noted on the DISTRICT's Yearly Report to Community Air Protection Program staff, and corrective measures will be developed to avoid future shortfalls. To date, the DISTRICT has not missed an expenditure or liquidation deadline.

V. Fiscal Practices and Procedures

The following are general fiscal practices and procedures performed by the DISTRICT's Administrative Services Department Finance section, which are applicable to Community Air Protection Program funded projects. Detailed fiscal practices and procedures are documented in the Finance section's policies and procedures manual and can be provided to CARB upon request.

Contract and grant documents are reviewed and approved by appropriate program staff, District Counsel, and the Director of Administrative Services, prior to being signed by the APCO. General contracts over \$20,000 and incentive contracts over \$200,000 are also signed by the Governing Board Chair.

1. The Program Supervisor or Manager reviews each award to ensure that all programmatic provisions will be met.

2. District Legal Counsel reviews all contract documents for legal form and content.
3. The Director of Administrative Services reviews each award to ensure that the District will be in compliance with all financial provisions.
4. Original copies of signed grants and contracts are filed in the contract file in the Finance section. Federal awards are also scanned and filed electronically.
5. The Finance or Accounting Manager will assign appropriate general ledger account numbers and vendor numbers for each new grant or contract.
6. The Senior Accountant maintains individual grant contract files containing copies of the grant contract, any amendments, and relevant correspondence regarding the grant/contract, reports of expenditures or billings with supporting documentation as well as required periodic reports.
7. A log of all grant/contracts is maintained by the Finance Manager detailing grant/contract numbers, effective dates, and reporting requirements.

VI. (DAC) Disadvantage Communities, Low-Income Communities, ½ mile buffer zones & Environmental Justice

Disadvantaged communities in California are specifically targeted for investment of proceeds from the State's cap-and-trade program. Known as California Climate Investments, these funds are aimed at improving public health, quality of life and economic opportunity in California's most burdened communities at the same time they're reducing pollution that causes climate change.

Funds received from the cap-and-trade program are deposited into the Greenhouse Gas Reduction Fund and appropriated by the Legislature. They must be used for programs that further reduce emissions of greenhouse gases. Senate Bill 535 (De León, Statutes of 2012) directed that at least a quarter of the proceeds go to projects that provide a benefit to disadvantaged communities and at least 10 percent of the funds go to projects located within those communities. The legislation gives CalEPA the responsibility for identifying those communities.

Assembly Bill (AB) 1550 (Gomez, Statutes of 2016) modified the investment minimums to disadvantaged communities. AB 1550 requires at least 25 percent of funds go to projects within and benefitting disadvantaged communities and at least an additional 10 percent is for low-income households or communities.

The DISTRICT performs DAC evaluation on all Community Air Protection Program funded projects to ensure that 80 percent or more of the funds are expended on projects that are located in/or operate in AB 1550 communities.

Incentives staff utilizes CalEnviroScreen 3.0, as well as, CARB's online SB 535 and AB 1550 maps to evaluate projects. The engine, equipment, or vehicle address (or when it is more reasonable, the address where the engine, equipment, or vehicle

primarily operates) is used to determine the project's DAC status. The address is mapped and then a screenshot of the mapped location is generated and saved in the project file to verify that the project was evaluated for DAC. The DAC status of the project is also entered into the GMS database for tracking purposes.

The majority of the DISTRICK's boundaries are defined as DAC Areas (20 of the 30 DAC communities are located within the DISTRICK); consequently, DISTRICK staff is confident that over 80% of its Community Air Protection Program funds will be spent on projects operating in these areas. Information regarding Community Air Protection Program funds spent in DAC areas and the DAC status of projects will be reported to CARB via upload through the CARL database. Staff will follow this same procedure and process for all air Districts that choose to have the DISTRICK implement their Community Air Protection Program. In the unlikely event that the DAC report generated by staff shows that, at any time, less than 80% of the Community Air Protection Program Funds are spent in DAC Areas, staff will review all in-house applications and provide funding to a sufficient number of projects in EJ areas to meet the 80% target.

VII. Public Outreach

Each year upon DISTRICK execution of a grant agreement with CARB for Community Air Protection Program incentives, the DISTRICK publishes a solicitation for grant applications. Solicitation materials describe program objectives, potential funding amounts, eligibility requirements, and procedures for applications including key dates and deadlines. The materials include a description of administrative and reporting requirements for funded projects, reference to documents such as these policies and procedures that will guide project implementation, and expectations for project review and accountability.

After public notice, the DISTRICK holds evening or weekend meetings in communities of interest under AB 617. At these meetings DISTRICK staff presents information on potential high-priority projects and other eligible projects that could be funded. Staff invites project ideas from the public and answers project eligibility questions. The DISTRICK takes comments and questions from both interested community members and potential project applicants. Spanish language translation is provided upon request at public meetings, and solicitation materials are published in English and Spanish.

In addition to public meetings, DISTRICK staff conducts or participates in outreach events and campaigns, such as notices through social media, program mail-outs, public service announcements and radio station advertisements (in English and Spanish), to help potential applicants identify and access funding opportunities, particularly for priority populations. The DISTRICK maintains a mailing list for interested community members and potential project applicants to stay up-to-date on Community Air Protection Program incentives opportunities. Designated program staff are available to respond to questions, including questions related to program

access, application/technical assistance, and eligibility determinations. The DISTRICT also posts information about events related to AB 617 and Community Air Protection Program incentives on its website.

VIII. Project Solicitation, Evaluation, and Selection

Community Air Protection Program incentives are prioritized for the communities selected by CARB (or under consideration for selection) through the AB617 implementation process. The DISTRICT will work closely with community organizations and Community Steering Committees from these selected communities to develop Community Emissions Reductions Programs (CERPs), which will identify eligible projects for the Community Air Protection Program incentives to be directed to.

A. Project Solicitation

The DISTRICT allocated the first year of Community Air Protection Program incentives to mobile source projects eligible under the Moyer Program, but has greater flexibility with subsequent year funds. In addition to Moyer projects, these Community Air Protection Program incentives may be used to support stationary, area and other mobile source projects identified in the Guidelines.

Additionally, Chapter 6 of the Guidelines allows the DISTRICT to submit a Project Plan for CARB's review and approval to fund additional stationary source categories and community-identified project categories beyond those already contained in the Guidelines. The Air District will consider such projects upon CARB approval of the Project Plan.

Districts are not required to fund all eligible categories, and may only target specific categories based on District priorities. With the approved 2019 Guidelines, the DISTRICT anticipates limiting the categories for project solicitation to the following components listed below. Should DISTRICT priorities change, the necessary measures needed to develop those programs and corresponding program documents will be implemented.

Under the DISTRICT's administration and implementation of the Community Air Protection Program, the following program components will be open for application solicitation:

1. Agricultural Irrigation Pump Engines:
 - Tier 3 Diesel to Electric Repower
 - Tier 3 Diesel to Tier 4 Final Diesel Repower
 - Alternative Fuel (Natural Gas) to Electric Repower
2. Off-Road Equipment:
 - Off-Road Agricultural Equipment Replacement
 - Off-Road Agricultural Equipment Repower

- Off-Road Construction Equipment Repower (Small Fleet)
- Low Dust Harvester Replacement
- 3. Locomotives – Class 3 & Passenger:
 - Tier 4 Replacement
- 4. On-Road Trucks:
 - Heavy Duty Truck Replacement
 - Heavy Duty Truck Rerouting
 - Zero Emission Yard Truck Replacement
- 5. School Buses:
 - School Bus Replacement
- 6. Infrastructure:
 - Alternative Fuel Infrastructure
- 7. Residential Lawn & Garden:
 - Lawn & Garden Equipment Replacement
 - Lawn & Garden Equipment New Purchase
- 8. Commercial Lawn & Garden:
 - Lawn & Garden Equipment Replacement
- 9. Alternatives to Agricultural Open Burning:
 - Agricultural material chipping with soil incorporation
 - Agricultural material chipping without soil incorporation
- 10. Alternative Fuel Training:
 - Training for Electric Vehicle Mechanics
- 11. Vegetative Barriers and Urban Greening:
 - Installation of Vegetative Barriers
 - Increased Urban Greening and Forestry
- 12. Wood Stove Change Out:
 - Residential Wood Burning Device Replacement
- 13. Light-Duty Vehicles:
 - Electric Vehicle Charging Stations
 - Vehicle Repair

The Community Air Protection Program allows District discretion in how projects are solicited. Only relative program documents will be developed for the aforementioned program components. Although DISTRICT funding priorities have been established, DISTRICT management reserves the right to change and reprioritize which program components to fund and open for solicitation.

Public notification of the available program components will be posted on the DISTRICT's website and will be announced through various outreach activities. Applications for the available project components will be posted on the DISTRICT's website for download. Potential applicants may contact the DISTRICT to have a copy of the application sent to them via e-mail or United States Postal Service.

The DISTRICT provides on its website and in solicitation materials and reports contact information for the public to ask questions or obtain additional information

(e.g., phone, email, social media). The DISTRICT designates points of contact for program outreach and partnership development with and between community groups on funding opportunities, program application requirements, eligibility determinations, and application technical assistance.

To ensure funds are expended and liquidated on time, the DISTRICT will use CARB's timeline specified in Section III of this document as a guide for project solicitation, evaluation, and selection. Projects will be solicited, evaluated, and selected in a manner which will provide sufficient time for applicants to complete their projects to ensure expenditure and liquidation deadlines are met.

B. Project Evaluation

All projects funded with Community Air Protection Program funds are carefully reviewed to ensure the requirements established in the Guidelines are met. Project applications received for the aforementioned program components will be evaluated under the specific requirements of the corresponding source category chapter of the Guidelines. The general process in which project applications are evaluated is as follows:

1. Project application is reviewed for completeness
 - a. AQA or AQT ensures all necessary documents have been submitted and the application has been thoroughly completed with no required information omitted.
 - b. If received as a hard copy, applications are date and time stamped, scanned as a PDF file, and then dropped into GMS. If received electronically, the applications and original emails are entered and dropped into GMS.
 - c. In accordance with Health & Safety Code section 44288(a), the Incentives staff reviews all applications for completeness upon receipt and notifies the applicant in writing within thirty (30) working days as to project status.
 - d. Notification to the applicant will clearly state what is required to make the application complete. Such correspondence will be kept in the project file.
2. Project is pre-monitored
 - a. DISTRICT Compliance staff performs on-site visit to verify engine, equipment, and/or vehicle information stated on the application and its operational condition.
3. Project application and pre-monitoring report are evaluated
 - a. AQS reviews project application and pre-monitoring report in detail to determine the eligibility of the project according to the Guidelines and performs cost-effective and incentive funding calculations.
 - b. AQS shall ensure that the emission reductions provided by the selected project is surplus to adopted regulations and other legal requirements, which includes verifying that the project meets the minimum

requirements outlined in the appropriate source category of the Guidelines.

- c. AQS shall thoroughly review all required supplemental documents provided with the application to ensure they sufficiently meet program requirements.

Either at the time of application, or no later than the time of pre-inspection, the DISTRICT shall obtain certification and submission of supporting documentation from the applicant that their engine(s), vehicle/equipment, or project fleet is currently in compliance with the applicable rules or regulations affecting the engine(s), vehicle/equipment for which they are requesting funding.

If a project is determined to be ineligible, the applicant is formally notified in writing of the project's ineligibility status. Reasons are provided in the letter for clarification explaining the ineligibility. Eligible on-road vehicle projects will be verified with a compliance check to ensure there are no outstanding violations against the applicant before the applicant is offered an agreement. Eligible heavy-duty off-road mobile equipment (used in construction and other non-agricultural services) must be in compliance with the state of California In-Use Off-Road Diesel Vehicle Regulation before the applicant can be offered an agreement. Eligible projects where the participant must comply with a CARB regulation early to receive funding will not be offered an agreement until the participant has provided documentation that early compliance has been achieved.

C. Project Selection

Pending the availability of funds, projects are selected to be funded if they meet the minimum requirements outlined in the Guidelines and any associated CARB Mail out. In addition, projects must meet the cost-effectiveness criterion established in the Guidelines.

There are two (2) methods of project solicitation currently used for projects:

1. First-come, First-served (Over the counter)
 - a. Eligible projects that meet the cost-effectiveness criterion established in the Guidelines are placed in a queue and funded based on the order in which they were received (complete application date).
2. Request for Applications (RFA)
 - a. For projects solicited in a general RFA process, the most cost-effective projects will be selected for funding first. The DISTRICT will continue to fund projects from an RFA solicitation until funds are exhausted for that specific program component. In the event two or more projects are calculated to have the same cost-effectiveness, the DISTRICT will select those projects for funding in the following order:
 - i. The project that has the oldest model year engine and/or equipment will be selected for funding first.

- ii. If the above criterion does not break the tie, the project with the highest existing engine/equipment annual usage will be selected for funding.
- iii. If the above criterion does not break the tie, the project that has the existing engine/equipment with the highest percentage usage within the DISTRICT boundaries will be selected for funding.
- iv. If the above criterion does not break the tie, the historical participation of each applicant in the DISTRICT's incentive programs will be reviewed. For equity purposes, the applicant who has never received funding from the DISTRICT through any of its incentive programs will be selected for funding, pending the applicant does not have current or repeated past compliance issues with the DISTRICT and/or CARB. If all applicants have received prior funding from the DISTRICT, the applicant who has received the least amount of funding will be selected for funding.

Once a project has been selected for funding, the DISTRICT notifies the applicant in writing through mail and/or email (depending on the applicant's preference) with a notification letter and an offer contract. The offer contract will specify the grant award amount and clearly state the terms and conditions the applicant must agree to and comply with to participate in the program. A copy of all correspondences relating to the award notification will be placed in the project file.

Depending on the availability of funds, and with the exception of projects that have extenuating circumstances, projects are usually offered funding agreements within a time frame of six months to a year from the receipt date of a complete application. Project applications submitted for program components that are undersubscribed may be awarded offer contracts in a shorter time frame. Conversely, project applications submitted for program components that are oversubscribed may be awarded contracts in a longer timeframe. Agreements generally have a six (6) to twelve (12) month project completion timeline, with extensions granted on a case-by-case basis with prior notification from the applicant.

IX. Project Usage Documentation

With the adoption of the 2017 Moyer Guidelines, the DISTRICT has the flexibility to exclude minimum annual usage requirements for the baseline engine in its program contracts should the applicant be able to provide twenty-four (24) months of complete historical usage documentation. Such historical usage must be documented for at least the twenty-four (24) consecutive months immediately prior to the application date.

The DISTRICT will accept the following types of documentation for historical annual usage verification:

1. For off-road equipment or agricultural engines, hour meter reading log collected at a minimum of once per year from an installed and fully functioning hour meter or fuel usage
2. For on-road vehicles, fuel purchase receipts and/or records
3. For on-road vehicles, IFTA fuel tax reports
4. For on road vehicles, BIT inspection reports
5. Employee timesheets and/or logbooks linked to specific equipment/vehicle use
6. Repair work orders specific to the engine, equipment, or vehicle, which must specify hours of equipment use or miles traveled
7. Maintenance records and/or receipts specific to the engine, equipment, or vehicle, which must be tied to specific hours of equipment use or miles traveled
8. Revenue and usage records that identify operational, standby, and down hours for the engine, equipment, or vehicle
9. For off-road equipment or agricultural engines, six months of tracking normal equipment usage with a functional, tamper proof hour meter with prior DISTRICT approval
10. Other documentation approved by the DISTRICT, subject to CARB evaluation and approval

The historical usage provided by the applicant will be used to calculate the project cost-effectiveness and incentive funding in lieu of the annual usage information provided on the application.

X. Project Ownership and Operational Documentation

Certain program components require proof that the applicant has owned and operated the equipment for the previous twenty-four (24) and twelve (12) months, respectively. For the Off-Road Agricultural Equipment Replacement Program, the DISTRICT will accept the following types of documentation for equipment ownership and/or operational verification:

1. Bill of Sale for the old equipment
2. Tax depreciation logs
3. Property tax records
4. Equipment insurance records
5. Bank Appraisals for the equipment
6. Fuel records specific to the old equipment – To be used as evidence of California residency, the fuel records must also identify the equipment owner
7. Maintenance/service records specific to the old equipment
8. General ledgers
9. Other documentation (to be approved by DISTRICT staff)

XI. Project Tracking and Project File Retention

The DISTRICT tracks all applications received in its GMS database. Application information is populated into the GMS database. The database includes all information necessary to identify the project applicant, project type, and project eligibility, and to calculate project cost-effectiveness and maximum grant award. Project application information is also entered into the CARL database at specific processing phases to ensure timely reporting of the Mid-Cycle and Yearly Reports.

The DISTRICT maintains an electronic copy of each application and an electronic file for each project selected for funding. Project files are stored in an electronic file system called the Electronic Data Management System (EDMS) and are made readily available for staff to use and review through the DISTRICT's GMS database. Any project files that are received as hard copies are scanned and stored in the DISTRICT's EDMS. After a project has been executed, the entire electronic project file and any additional correspondences between the DISTRICT and applicant, or any relative document to the project, will be added to the electronic file. The DISTRICT will retain all project files for at least two years after the end of the contract term or a minimum of three years after the final payment, whichever is later. For projects not selected for funding, the DISTRICT shall retain those project applications for a minimum of three years after receipt

XII. Project Pre- and Post- Inspections

Pre- and post-inspections will be completed for Community Air Protection Program funded projects when applicable. The exception to the required inspections is for public and private fleets and where CARB has provided a waiver. DISTRICT staff complete all other inspections; no dealer or third-party inspection is permitted.

Inspection photographs for both the pre- and post-monitoring inspection phases are retained electronically in a central location on the SI server that is readily accessible for program staff to use. In addition, when a project is processed, the picture files are scanned and stored in EDMS for staff to use and review through the DISTRICT's GMS database. Inspection photographs will be cataloged and grouped by the respective DISTRICT project number and referenced as pre- or post-monitoring photographs.

A. Pre-Inspection

A pre-inspection is triggered when an application is deemed complete and funding is available. A pre-inspection is required prior to project contract execution. When necessary, the DISTRICT may apply to CARB for approval to conduct pre-inspections after contract execution on a case-by-case basis. The DISTRICT may choose to allow public agencies (e.g., public works departments, transit organizations, and school Districts) to provide documentation of the engine(s) and its use in lieu of a pre-inspection. A pre-monitoring report is generated by Incentives

staff and provided to the Compliance inspector for use during on-site inspections. These reports include fields for the inspector to document all information required to be collected during the pre-inspection. The pre-inspection process includes, at a minimum, verifying the baseline engine information (make, model, model year, horsepower, etc.), the baseline equipment or vehicle information when applicable (make, model, model year, VIN or PIN, GVWR, license plate, data tags, etc.), and the project usage meter reading (hours or miles).

If accessible, all engines, equipment, and/or vehicles participating in the program are stamped or marked with their corresponding DISTRICT project number during the pre-monitoring inspection. In the event the manufacturer serial number is unavailable, inaccessible, or illegible, the DISTRICT project number will be used to identify the engine, equipment, or vehicle.

The pre-inspection shall verify that the baseline engine, equipment, or vehicle is/are operational (with a start-up). "Operational" means that the engine must start and be able to perform its intended purpose. The operational condition of a piece of equipment or vehicle may be verified with the DISTRICT Compliance inspector requesting the applicant to operate the equipment or vehicle over a reasonable distance.

Photographs shall be taken of the baseline engine, equipment, and/or vehicle. The photographs must include, when possible, the following views: the engine data plate, which should contain a legible serial number if available; the equipment or vehicle data plate (if applicable); and a view of the entire engine, equipment, or vehicle. For engines, equipment, or vehicles that do not have a legible serial number, the stamped or marked DISTRICT project number should be photographed and used for verification purposes. In the event the engine cannot be accessed to be stamped or marked, distinct markings on the engine may be photographed to assist in the verification process. The photographs must also show the baseline engine in the vehicle or equipment. Additional photographs may be required for specific project types. For new electric motor purchase projects, a photograph of the well site must be taken to ensure the site is not currently powered by an existing agricultural engine.

For on-road vehicles retrofit projects, fleets consisting of twenty (20) or less vehicles undergo an inspection of each and every vehicle. Large on-road fleets consisting of twenty-one (21) or more trucks are pre-monitored using the random sampling methodology pre-approved by CARB, in which at least twenty (20) trucks or 25% of the fleet, whichever number is greater, are pre-monitored. The DISTRICT received approval from CARB to use this random sampling methodology for large on-road private fleets consisting of at least twenty-one (21) trucks as well. No applicant pre-monitoring inspection is allowed, but the DISTRICT may enter into a contract with a vehicle or equipment dealer to pre-inspect on-road retrofit projects. Should the DISTRICT enter into such a contract, the DISTRICT will ensure the minimum requirements outlined in Chapter 3, Section (AA.)(5.) are met.

Pre-monitoring inspections are assigned to Compliance staff and are tracked in the Incentives Section GMS database. Reports listing all outstanding pre-monitoring inspection projects are generated on a routine basis and distributed to appropriate staff to perform follow-up as necessary. This tool assists Incentives staff in ensuring pre-monitoring inspections are conducted in a timely fashion. Compliance staff schedules appointments with program applicants at times which are most convenient for both parties.

Additional or different inspection requirements may apply to infrastructure or stationary source projects, as specified in the source category requirements of the Guidelines.

B. Post-Inspection

Post-monitoring inspections occur after the receipt of a complete DISTRICT Claim for Payment Packet, but prior to reimbursement of the engine, equipment, and/or vehicle purchased through the program. A post-monitoring report is generated by Incentives staff and provided to Compliance staff for use during on-site inspections. These reports include fields for the inspector to document all information required to be collected during the post-inspection.

The post-inspection verifies that the new engine, equipment, vehicle, and/or retrofit listed in the executed agreement was installed and/or purchased and is operational. At a minimum, the engine information (make, model, model year, serial number, Tier rating, horsepower, etc.), equipment/vehicle information (make, model, model year, VIN, GVWR, etc.) and/or retrofit information (retrofit device make and model, certification level, DECS family name, etc.) must be recorded. For repower projects, the engine must be operational in the vehicle or equipment as stated in the contract. "Operational" means that the engine must start and be able to perform its intended purpose. DISTRICT staff shall visually witness all engine start-ups, and if necessary, the operation of the equipment or vehicle over a reasonable distance. In addition to verifying the new engine/vehicle/equipment/retrofit, Compliance staff also verifies the proper destruction of the baseline engine, vehicle, and/or equipment if applicable. Baseline engine/vehicle/equipment information is also documented on the monitoring report for Incentives staff to verify that the existing old engine/vehicle/equipment inspected during the post-monitoring is the same engine/vehicle/equipment from the pre-inspection.

New and baseline vehicle/engine/equipment/retrofit information shall be documented with photographs. Photographs shall be taken and uploaded to GMS through SIRE. The photos must include, at a minimum, the baseline engine data plate, which should contain a legible serial number, the baseline equipment/vehicle data plate (if applicable), the retrofit data tag, and a view of the entire engine, equipment, vehicle, and/or retrofit. For baseline engines that do not have a legible serial number, the DISTRICT project number stamped or marked on the engine block during the pre-monitoring phase should be photographed and used for verification purposes. In the

event the engine was not accessible during pre-inspection and could not be stamped or marked with the DISTRICT project number, and a manufacturer serial number is unavailable, distinct markings on the engine may be photographed to be used for verification purposes. For the new engine/vehicle/equipment/retrofit, photographs should be taken of the entire view of the new engine, equipment, vehicle, or retrofit and their respective data plates to be included in the project file. Additional photographs may be required for specific project types.

For engine repower and equipment/vehicle replacement projects, Compliance staff shall verify and document that the baseline engine or equipment is destroyed or otherwise rendered non-operational during the post-monitoring process. For equipment/vehicle replacement, existing old equipment must be permanently destroyed in the following manner:

1. The applicant must permanently disable the existing old engine by puncturing at least a six (6) inch diameter serrated, uneven hole. The hole must be irregularly shaped and cannot be a symmetrical square or circle. The hole must also include a portion of the oil pan rail (sealing surface) or have a line cut through the oil pan rail that connects to the hole in the engine block. When puncturing the hole in the engine block, the applicant must avoid destroying any identifying engine number, including the DISTRICT project number which, when feasible, will be stamped or marked on the engine block by DISTRICT staff during the pre-monitoring inspection phase.
2. The old equipment must be physically rendered permanently inoperable with the equipment's structure compromised. At minimum, both frame rails must be completely severed between the front and rear axles. If the equipment does not have frame rails, the transmission casing AND axle housing MUST be permanently destroyed. Both the transmission casing and axle housing must be destroyed by puncturing three (3) inch diameter serrated, uneven holes. The holes in the transmission casing and axle housing must be irregularly shaped and cannot be a symmetrical square or circle.
 - i. Equipment with permanent frame rails running the length of the equipment: complete cuts of both frame rails between the front and rear axles.
 - ii. Equipment with removable/bolt-on frame rails: structural damage, with cuts or otherwise, that renders the main body of the equipment inoperable and unrepairable.
 - iii. Equipment without frame rails: structural damage, with cuts or otherwise, that renders the main body of the equipment inoperable and unrepairable.
 - iv. Articulated equipment: damage, cuts or otherwise, to the articulation joints of front and rear halves of the equipment so that neither half can be joined.

For engine repower projects, existing old engines must be permanently destroyed in the following manner:

1. The applicant must permanently disable the existing old engine by puncturing a minimum six-inch diameter hole in the engine block. The hole must have serrated and uneven edges rendering it irreparable, and should include a portion of the oil pan rail. When puncturing the hole in the engine block, the applicant must avoid destroying any identifying engine number, including the DISTRICT project number which, when feasible, will be stamped or marked on the engine block by DISTRICT staff during the pre-monitoring inspection phase.
2. The submittal of a complete DISTRICT Claim for Payment Packet to request reimbursement will trigger an on-site post-monitoring inspection of the existing old engine with the hole in the engine block. Applicant must ensure the destroyed old engine is made available for DISTRICT staff to inspect. Incentive funds will not be disbursed to the applicant until DISTRICT staff has performed the site visit and has visually verified that the hole in the old engine sufficiently meets program requirements. In addition, DISTRICT staff must be able to verify that the destroyed engine is the same engine from the pre-monitoring inspection, as determined by the identifying engine number.
3. Once DISTRICT staff has verified the proper destruction of the old engine, the applicant must submit the old engine to a licensed scrapping facility or dismantler to be crushed or recycled for scrap metal. The applicant must not submit the destroyed engine(s) to a dismantler until after DISTRICT staff has visually verified the hole in the engine block. The applicant must obtain an official receipt or legitimate documentation from the dismantler that clearly indicates, at a minimum: the applicant's name or organization name, the dismantler's name and address, and the current engine(s) make, model, and serial number. The verification of the receipt and documentation is at the sole discretion of the DISTRICT. If the applicant does not submit a sufficient receipt, or other documentation deemed appropriate by the DISTRICT, the DISTRICT may deny the disbursement of project incentive funds.

No participant, dealer, or dismantler post-monitoring inspection is allowed. The applicant must certify that the baseline engine and/or equipment/vehicle were permanently removed from service. It is the applicant's responsibility to ensure the destroyed baseline engine and/or equipment/vehicle does not get placed back into service. It is the applicant's responsibility to select a dismantler who will adequately and properly dispose of the baseline engine and/or equipment/vehicle according to program requirements. If the baseline engine and/or equipment/vehicle are found to be operational at any time after the post-inspection, the applicant will be subject to enforcement action by the DISTRICT, including repayment of incentive funds, civil penalties, and any other legal action deemed appropriate.

Post-inspection of a new electric motor on an agricultural pump must also include recording of the serial number of the variable frequency device if the project includes one.

Post-monitoring inspections are assigned to Compliance staff and are tracked in the Incentives Section GMS database. Reports listing all outstanding post-monitoring inspection projects are generated on a routine basis and distributed to appropriate staff to perform follow-up as necessary, ensuring post-monitoring inspections are conducted in a timely fashion. Compliance staff schedules appointments with program applicants at times which are most convenient for both parties.

Additional or different inspection requirements may apply to infrastructure or stationary source projects, as specified in the source category requirements of the Guidelines.

XIII. Contract Components and Contracting with Applicants

All DISTRICT contract boilerplates for each program component will include the following minimum requirements:

1. Condition stating that the project funded with Community Air Protection Program funds may not be used to generate a compliance extension or credit for determining regulatory compliance.
2. Party names and date: Contract shall state the DISTRICT's name and the grantee as parties to the contract. Signature blocks shall be included for both parties and the execution date must be clearly indicated on the contract.
3. Notices: Contract shall include contact information for both parties to the contract, including how to send and receive notices.
4. Funds from other sources: Contract shall include conditions that the grantee has certified they have disclosed all other public funds that they have applied for or received for a project. Joint projects with other air District(s) shall be clearly indicated on the contract with the name of the other air District(s) and the funding provided.
5. Condition stating that the grantee is prohibited from applying for or receiving other public funds for the same project except in the situation described in Chapter 3, Section (Z.)(4.)(c) of the Guidelines.
6. Contract term: Contract shall specify the term of the contract, with the time frames "project completion" and "project implementation" specified to ensure the DISTRICT and the CARB can fully enforce the contract during the life of the project.
7. Project specifications: Contract shall include detailed information on the baseline and new vehicles, equipment, engines, and/or retrofit that were used in the project cost-effectiveness calculation.
8. Condition stating that alternative eligible replacement engine/vehicle/equipment/retrofit may be purchased and/or installed in lieu of

- the new engine/vehicle/equipment/retrofit identified in the contract with prior approval from the DISTRICT.
9. Specific annual usage required for the engine/vehicle/equipment purchased through the agreement.
 10. Condition stating minimum annual usage requirements for projects which a minimum of 24 months of complete historical usage could not be provided.
 11. Statement that the project complies with the Community Air Protection Program Guidelines and/or the FARMER Guidelines.
 12. Statement that the grantee certifies his/her fleet, engine(s), or equipment/vehicle are in compliance with all applicable federal, state, and local air quality rules and regulations at time of contract execution.
 13. Condition stating that the grantee will maintain compliance with all applicable federal, state, and local air quality rules and regulations for the full term of the contract.
 14. Condition for repower projects that the installation of the engine must be completed in a manner such that it does not void the engine warranty provided by the manufacturer and any remaining warranty provided by the equipment/vehicle manufacturer.
 15. Condition for retrofit projects that the installation of the retrofit must be completed in a manner such that it does not void the retrofit warranty provided by the manufacturer and any remaining warranty provided by the engine/equipment/vehicle manufacturer.
 16. Condition stating the project must be included when defining the size of the fleet for determining regulatory requirements.
 17. Condition stating that throughout the contract term, the project must not be used to generate credits or compliance extensions, and must be excluded when determining regulatory compliance.
 18. Condition requiring grantee to maintain the vehicle, equipment, retrofit and/or engine according to manufacturer's specifications for the life of the project; including prohibiting tampering.
 19. Condition requiring grantee to maintain a working hour meter for projects that use hours of operation as a means of calculating emission reductions and cost-effectiveness. Additionally, grantee is required to repair and maintain the hour meter at the grantee's expense.
 20. Payment conditions: Contract shall state when and how payment will be made to grantee; including the requirement for the grantee to submit an appropriate and sufficient invoice for the purchase of the engine, vehicle, equipment, and/or retrofit prior to reimbursement.
 21. Maximum contract amount allowed for the project.
 22. Conditions requiring grantee to submit annual reports to the DISTRICT, and the repercussions for noncompliance with the reporting requirements.
 23. On-site Inspections and Audits: Contract shall include language allowing the DISTRICT and the CARB, or their designee, to conduct a fiscal audit of the project and/or inspect the project engine, vehicle, equipment, and/or retrofit and associated records during the contract term.

24. Condition requiring grantee to maintain and retain project records for at least two years after contract expiration or three years after the final project payment, whichever is later.
25. Repercussions for nonperformance or noncompliance with the obligations and conditions of the contract.

Project contracts are not executed until the applicant and appropriate management staffs at the DISTRICT have signed the contract. The DISTRICT Board has approved, via a formal resolution, delegated authority to the APCO to approve all incentive program projects funded at or below \$200,000. Projects funded for amounts greater than \$200,000 also require the approval and signature of the DISTRICT Governing Board chair. Additionally, the DISTRICT Board has, via a formal resolution, delegated authority to the APCO to approve extensions to contracts, if the total contract extension will not exceed eleven (11) months. Any contract extension over eleven (11) months requires the approval and signature of the DISTRICT Governing Board chair. Once executed, a copy of the executed contract is mailed and/or emailed to the applicant via DocuSign and the original executed contract is scanned and uploaded to GMS. Changes to the contract, including extensions, will require an amendment. Amendments also require the signature of both parties. Contract execution dates and amendment dates are entered into the GMS database for tracking purposes.

XIV. Invoice Review, Approval, and Payment Protocol

The DISTRICT has defined policies and procedures regarding the payment process. A Payment Procedures packet and a copy of the executed agreement are provided to all applicants once their agreements are executed. The Payment Procedures packet provides specific instructions on the reimbursement process for the project. Prior to the disbursement of any incentive funds, the applicant must submit a complete DISTRICT Claim for Payment Packet which includes the following:

1. DISTRICT Claim for Payment Form (specific to the program component)
2. Itemized invoice(s) for the purchase of the engine, equipment, vehicle, and/or retrofit
3. If applicable, the DISTRICT Existing (Old) Engine or Equipment/Vehicle Form certifying the destruction of the baseline engine, equipment, and/or vehicle
4. If applicable, a Certificate of Destruction, receipt, or legitimate documentation from the licensed dismantler or scrapping facility for the disposal of the baseline engine and/or equipment
5. New Engine/Equipment Information Form to be completed by the new engine, equipment, vehicle, and/or retrofit dealer
6. Proof of Insurance for the new engine, equipment, vehicle, and/or retrofit purchased through the project
7. For agricultural irrigation electrification projects that have line extension reimbursement funding, documentation verifying payment to the electric service provider for power installation

8. If applicable, warranty documentation verifying the new engine, equipment, vehicle, and/or retrofit meets the minimum requirements for the program component
9. If applicable, a manufacturer's specification sheet for the new engine, equipment, vehicle, and/or retrofit
10. If applicable, proof of payment to the engine, equipment, vehicle and/or retrofit dealer, such as finance documentation or a copy of the cancelled check.

The submittal of a complete Claim for Payment Packet triggers the post-monitoring inspection visit. Once the post-monitoring inspection is complete, the report from the inspection is used to help make any needed updates or modifications to the project, including those affecting emission reductions, emission calculations, and funding amounts. Additionally, the post-monitoring report is also used to verify the proper destruction of the baseline engine, equipment, and/or vehicle (if applicable), and to verify the eligibility of the new engine, equipment, vehicle, and/or retrofit purchased.

At this time, the Claim for Payment Packet is also thoroughly reviewed. The invoice(s) are evaluated to ensure only eligible project costs are reimbursed. In addition, DISTRICT staff ensures, by reviewing the invoices and documentation submitted, that the applicant has not ordered, received, began work, or made a down payment on the new engine, equipment, vehicle and/or retrofit prior to the date the agreement was executed. Any work done on the project prior to the agreement execution date may nullify the project and the disbursement of incentive funds to the applicant may be denied. One exception would be for line extension reimbursements for Ag irrigation pump diesel to electric motor repower projects. Occasionally, there is an unavoidable situation in which the applicant is required to pay a portion of the electrification costs prior to receiving a contract with the District. If the charges are not paid promptly, projects would be significantly delayed, which could potentially result in the continued use of the old, high-polluting diesel engine. Although line extension costs are not funded out of Moyer accounts, Moyer Program staff was consulted to get their concurrence that this was an acceptable allowance. The applicant must submit a project invoice(s) that includes enough detail to ensure only eligible project costs are being reimbursed, yet clear and concise enough to be understandable. The DISTRICT shall review the itemized invoice and only pay for eligible expenses.

Equipment and parts on engine repower projects are eligible for funding only if they are required to ensure the effective installation and functioning of the new engine, but are not part of typical vehicle or equipment maintenance repair. Ineligible repower costs include tires, axles, paint, brakes, and mufflers. In order to be eligible for Community Air Protection Program funding, labor expenses must be included in the project invoice, which must detail the number of hours charged and the hourly wage. Taxes, installation costs for eligible hardware, and transport costs for eligible hardware are eligible for funding at the DISTRICT's discretion.

Applicants may not order or make a down payment on a new engine, piece of equipment, or vehicle prior to the DISTRICT's approval of the project, either via contract execution or approval by its governing board or board designee. Dealers ordering engines, equipment, or vehicles prior to DISTRICT approval of grant applications assume all financial risk and are in no way ensured program funds. Applicant may not receive engines, equipment, or vehicles, nor may work begin on a repower or retrofit project, until the project contract is fully executed, unless the DISTRICT has provided the applicant with a written notification that any work performed is not guaranteed funding until a contract is executed.

The DISTRICT will not make partial payments, including progress payments, for any Community Air Protection Program funded project. Payment will be made directly to the applicant. No payments shall be made to the dealer; however, two-party checks may be allowed at the discretion of the DISTRICT. If multiple engines/vehicles/equipment/retrofits are purchased, payment can be made on a per engine/vehicle/equipment/retrofit basis as they are installed and put into service.

For all on-road and emergency vehicle projects, should a compliance check indicate that there is an outstanding violation with any vehicle in the applicant's fleet, no disbursement shall be made until the applicant provides proof to the DISTRICT that each violation has been corrected and each fine has been paid.

For projects where the applicant must demonstrate that specific regulatory compliance requirements have been met in order to receive funding, the DISTRICT will not pay invoices until the applicant has provided documentation that the requirements have been achieved. The applicant may demonstrate this via a detailed letter signed by the vehicle or equipment owner or legal representative or, if the regulation requires CARB or the DISTRICT to certify compliance, through CARB or DISTRICT certification. The DISTRICT is not to be held liable if the applicant falsifies this documentation.

Invoices received after the project post-inspection has been complete must be evaluated for consistency with the information gathered during the project post-inspection. The DISTRICT shall maintain copies of all invoices and documentation of payment in the project file.

XV. Project Reports

A. Annual Grantee Reporting

All applicants, or "grantees", are required by their contracts to submit an annual report for the project, commencing no later than eighteen (18) months after the project post-inspection, and annually thereafter for the term of the contract, with the following exceptions:

1. If the DISTRICT's monitoring phase of the contract term exceeds five years, the grantee's reporting responsibility may be reduced to once every other year after an initial five years of satisfactory reporting.
2. If the project involves a zero-emission technology, grantee reporting may be reduced to biennially for the first six years. No annual reports are required thereafter.

The annual report form shall be in a format consistent with requirements of the Guidelines. The DISTRICT's boilerplate annual report form consists of those requirements.

Except for projects in which usage is not required to be specified in the contract, if usage is more than 30 percent below that identified in the project application, the grantee must describe any conditions (such as weather, permits, major maintenance, etc.) that significantly impacted project usage. In instances where annual usage is significantly lower than the contracted level due to unforeseen circumstances beyond the control of the grantee, the grantee may request a waiver from the DISTRICT for the usage deficiencies.

SI staff shall review the annual report for completeness, accuracy, and usage. A hard copy of the annual report, initialed and dated by the reviewing staff, shall be scanned and uploaded to GMS through SIRE. If an annual report is incomplete, inaccurate, or not received from the grantee on schedule, the DISTRICT shall make a reasonable attempt to obtain a complete and accurate report from the grantee. If the DISTRICT is unable to obtain the report, all of the engines/vehicles/equipment/retrofits in that project shall be audited by the DISTRICT.

The DISTRICT shall maintain a list of grantee(s) from which any reports are more than six months late. Grantees with reports that are more than six months late will not be granted any additional Community Air Protection Program funds until all reports are satisfactorily submitted.

Applicants are informed that the DISTRICT and the CARB may audit and monitor the project at any time during the Project Implementation Phase specified in their contract with the DISTRICT. Annual report forms are generated monthly from the DISTRICT's GMS database and mailed to applicants whose annual reports are approaching the annual anniversary date of the new engine/equipment/retrofit installation or purchase. Secondary notices and past-due annual report forms are mailed to applicants who have failed to submit their initial reports. Incoming annual reports are processed by Incentives staff and entered into the GMS database for tracking purposes.

For projects funded under a CERP, reports will be made available to the community steering committee as part of the Program's ongoing progress review.

B. Reporting

The DISTRICT will report to CARB twice a year through the Mid-Cycle and Yearly Reports. The report templates and instructions will be made available on CARB's website prior to the reporting deadlines. The DISTRICT shall submit the Mid-Cycle Report on or before May 31st, and the Yearly Report on or before November 29th. The Mid-Cycle Report shall include information regarding projects associated with funds received that are under executed contract between November 1st and April 30th of the reporting cycle. The Yearly Report shall include information regarding projects associated with funds received that are under executed contract between May 1st and October 31st of the reporting cycle.

The Mid-Cycle and Yearly Reports will include the following information:

1. Project details sufficient to populate the data fields in the CARL database for each Community Air Protection Program project, including projects funded with earned interest. The DISTRICT shall update the CARL database with all information necessary to ensure CARL has complete and accurate information by the due date of both the Mid-Cycle and Yearly Report.
2. Quantitative information regarding progress on reaching program milestones such as contract execution, fund expenditure, and funding cycle liquidation, as tracked cumulatively.
3. The DISTRICT's APCO, Chief Financial Officer (CFO), and Community Air Protection Program Administrator must sign and certify that the project and fiscal information contained with the Mid-Cycle and Yearly Report are, to the best of their knowledge, accurate and complete.
4. A brief narrative specifying any enforcement actions taken and/or any funds recaptured from liquidated projects.
5. A list of the jobs the DISTRICT supported to implement Community Air Protection Program funds.
6. A list of the public outreach events held by the DISTRICT for Community Air Protection incentives during the reporting cycle, including the date and time, place, format, estimated attendance or audience size, accessibility, meeting materials, whether language interpretation was requested and provided.
7. The amount of interest accrued on State Community Air Protection Program funds (Yearly report only).

The DISTRICT shall report interest in the Yearly Report to CARB using the format provided by CARB. The DISTRICT shall report on projects funded with earned interest the same way the DISTRICT reports on Community Air Protection Program-funded projects by entering the project into the CARL database and in its Yearly Report.

As part of each Yearly Report, the DISTRICT shall report interest earned during the previous fiscal year. For such interest earned, the DISTRICT has the option to:

1. Add the earned interest to the next funding year and spend it on Community Air Protection Program projects and administration on the same schedule as other Community Air Protection Program funds in that funding year; or
2. Return the interest to CARB by October 31st of the same year as the relevant Yearly Report; or
3. A combination of both options.

If the DISTRICT has not executed contracts to cover all project funds received during the previous calendar year, the DISTRICT will work with its CARB Community Air Protection Program liaison to ensure it is on target to expend all required program funds within two years. The DISTRICT will provide written notification briefly describing the reason for the delay in executing contracts, and its schedule for executing the remaining contracts, returning funds to CARB, contributing funds to the Rural District Assistance Program, or other action(s) as needed to ensure project funds are expended with the two-year deadline.

If the Yearly Report identifies an expenditure shortfall, the DISTRICT shall submit and CARB must receive a check for the shortfall amount by September 28th, or 90 days after the June 30th liquidation deadline. No additional disbursements will be made to the DISTRICT until the returned funds have been received by CARB.

The DISTRICT shall also submit to CARB and publish on its website an annual status report for the AB 617 CERPs that were developed with communities, following each Program's approval by CARB. These reports shall include a description of outreach conducted to promote funding opportunities, solicit ideas from community steering committees, and identify project priorities.

XVI. DISTRICT Audit of Projects

Each calendar year, the DISTRICT shall conduct audits of projects funded with Community Air Protection Program Funds. The audits shall, on an annual basis, include at least five percent or 20 active projects (whichever is less). Audited projects will include projects included in a CERP and all of the projects whose owners fail to submit their most recently required project annual report.

For projects funded under a CERP, the community steering committee may recommend that the DISTRICT conduct a project audit if the committee finds reason for unsatisfactory project implementation. The DISTRICT will give full consideration to such requests.

The audits will be completed by Incentives staff and, at a minimum, include an inspection by DISTRICT Compliance staff that verifies that the engines, equipment, vehicles and/or emission control devices paid for are still owned by the grantee named in the contract, operational in the same equipment, and meet the mileage, fuel usage, or hours of operation indicated in the executed contract. This shall be performed by checking the serial number of the engine; witnessing the operation of

the engine; and checking the odometer, hour meter/usage device, fuel receipts, or Electronic Monitoring Unit (EMU). Audits of multi-equipment/engine projects of up to 25 pieces shall include inspection of at least two pieces, and for projects of 25 pieces or more, shall include inspection of at least five pieces.

XVII. Program Administration and Outreach Funding

With its inhabitants consisting of more than one million, the DISTRICT may use up to six point two-five (6.25%) of its Community Air Protection Program funds on program outreach and administration. Within the DISTRICT, the Administration Department maintains the documentation of Community Air Protection Program funds used for administration and outreach. The Administration Department maintains the following documentation:

1. Personnel documentation which verifies the number of staff and actual hours or percent of time staff is devoted to Community Air Protection Program administration and outreach. The DISTRICT utilizes an electronic database, Labor Information System (LIS), to track staff's time working on Community Air Protection Program-related tasks. Staff are required to enter hours worked on Community Air Protection Program tasks into LIS on a routine basis. When applying Community Air Protection Program administration funds, LIS can separate all Community Air Protection Program hours worked from other project hours to accurately apply the appropriate administration funds. Reports may be printed from LIS to document tasks completed and charged to the Community Air Protection Program. These reports can be submitted to CARB upon request.
2. Consultant fees documented with copies of the consultant contract and invoices. Any consultants used to assist the DISTRICT in administering any part of the Community Air Protection Program will enter into a contract with the DISTRICT and provide invoices of costs to the DISTRICT. These contracts and invoices will be utilized to document the costs, and can be submitted to CARB upon request.
3. Printing, mailing, and travel expenses documented with receipts and/or invoices.
4. Travel costs and per diem rates. Costs associated with travel and per diem can be found in Section 13 of the DISTRICT Administrative Code.
5. Indirect cost calculation methodologies. Administrative funds may also be charged for indirect costs. The indirect costs are calculated by the DISTRICT Administration Department Finance Division and approved by the United States Environmental Protection Agency (USEPA). The indirect cost rate is adjusted and approved every year by USEPA.

XVIII. Case-by-Case Determination

In certain situations, the DISTRICT may request CARB review of a project or other Community Air Protection Program element that varies from the requirements of the

Guidelines for a case-by-case determination. CARB Community Air Protection Program staff may approve such a project or other program element if the outcome of this approval would not adversely impact achievement of real, surplus, quantifiable, enforceable, and cost-effective emission reductions, would not significantly reduce program transparency, and is not prohibited by law. The DISTRICT shall submit case-by-case determination requests to CARB in a manner consistent with the requirements of the Guidelines.

Once CARB has made a final determination and formal written notification is provided to the DISTRICT, the DISTRICT shall keep a copy of the determination, either approved or not approved, in the project file. Written case-by-case approval for other program elements shall be kept with the DISTRICT's Policies and Procedures Manual and be readily available for CARB audit staff.

XIX. Nonperforming Projects

The DISTRICT will make all reasonable efforts to recoup Community Air Protection Program funds from nonperforming grantees as needed to ensure funded emission reductions are achieved. The DISTRICT's efforts to recoup funds may be guided by circumstances such as the following:

1. The existence of fraud or intentional misuse of funds; or
2. The amount of Community Air Protection Program funding involved; or
3. The ability of the grantee to repay funds.

The DISTRICT will take appropriate actions to ensure contracted emission reductions are realized per engine, equipment, vehicle, or retrofit. Except for projects in which usage is not required to be specified in the contract, should the average usage over a three year period for a contracted engine, equipment, vehicle, or retrofit be less than 70 percent of the activity required in the contract, the DISTRICT may choose, but is not limited to, the options below to address the underutilization. In cases of projects which may have a contracted project life of less than three years, the same activity threshold of 70 percent applies, averaged over the project life.

1. Extend the project contract for additional years (precluding overlap with an applicable rule implementation requirement).
2. Recalculate the project based on the reported hours. If the project meets the Cost Effective (C/E) requirement then the project will be closed. The C/E requirement will be based on the C/E dollar amount that was used at the time of the original contract.
3. Return funds in proportion to the loss in emission reductions.
4. Transfer ownership of the engine, vehicle, or equipment to another entity committed to complying with the contract terms.
5. Grant a waiver, without penalty, to the grantee for a defined time period. The grantee must demonstrate to the DISTRICT APCO's satisfaction that the engine, vehicle, or equipment is not being underutilized in favor of operating

other, higher-polluting equipment and the underutilization was due to unforeseen conditions beyond the grantee's control. The conditions under which a waiver may be issued include, but are not limited to, the following:

- A decrease in usage due to the economic recession;
- Unforeseen fluctuations in water allocations or pumping needs for agricultural irrigation pump engines; or
- Significant land fallowing for off-road agricultural equipment and agricultural irrigation pump engines.

To be considered for a waiver, the grantee must provide a written request to the DISTRICT along with documentation that substantiates the need for the waiver and verifies that higher-polluting equipment is not consequently receiving more use. The following documentation can be submitted for consideration:

1. Documentation from appropriate governmental agencies regarding surface water deliveries and fallow land.
2. Relevant logs regarding the amount of groundwater pumped in lieu of surface water deliveries.
3. Agricultural pump engine registration or permit information.
4. Records that show that idled vehicles or equipment are still owned by the grantee.
5. Relevant information from CARB's Diesel Off-Road On-Line Reporting System (DOORS).
6. Relevant maintenance records or dealer invoices for engine, equipment, or vehicle repair.
7. For agricultural irrigation pump engine grantees, documentation showing changes to types of crops grown, crop rotations, and reduced production due to contracts with food processors.
8. Documentation showing changes to the grantee's current operation due to a change in the grantee's business model.
9. Other documentation approved by the DISTRICT, subject to CARB evaluation and approval on a case-by-case basis.

All waivers will specify the length of time for which the waiver is valid. The issuance of a waiver will not exempt the grantee from any contract requirement to provide annual usage reports or any other terms or conditions specified in the contract.

Grantees that are found to have significantly low usage as reported on their annual reports will be notified by mail and/or email by the DISTRICT to repay incentive funds for the portion of emission reductions not achieved because of the low usage. The notification will also allow the grantee the option to request a usage waiver should the grantee feel that there were reasons beyond the grantee's control for the low usage. If a usage waiver is requested, the grantee must complete the DISTRICT's Annual Usage Waiver Application and supply supporting documentation as necessary to justify the low usage. Incentives staff will review the application for completeness and evaluate the grantee's justification to ensure it meets the criteria of the

Guidelines: the low usage was due to circumstances beyond the grantee's control and a higher-polluting engine/equipment was not used in favor of the engine/equipment purchased through the agreement. The grantee may be contacted to request follow-up documentation or to provide further clarification.

The Usage Waiver Application and its supporting documents are reviewed by the program Senior AQS. Whether the waiver will be granted or not, initial recommendation is determined by the program Senior AQS, but the usage waiver request must receive approval from the program Supervising AQS, Program Manager, and the Director of Administrative Services, prior to final approval from the APCO. The DISTRICT has also designated the Deputy APCO the authority to provide final approval for usage waiver requests. All usage waiver documents, including the application and correspondences relative to the usage waiver request, will be placed in the project file. Documents used for the usage waiver process are included as an appendix to this document.

Alternatively, the DISTRICT also has the option to recalculate a project's cost-effectiveness based on the reported decrease in usage. Based on this recalculation, if the project is still below the cost-effectiveness cap, consistent with the cap in effect on the date of the contract execution and prior to the end of the contract, the DISTRICT must continue to monitor the project over the next year to determine if additional remedial actions are necessary. A waiver is not required in this event. If, at the end of the contract term, the project is recalculated to still meet the cost-effectiveness cap with the reported low usage, and the maximum project grant amount is unaffected based on the recalculation, the DISTRICT will not take any further actions to recoup incentive funds.

XV. DISTRICT Administrative Special Provisions

The DISTRICT has identified several policies and procedures that are special provisions outside of, or not defined in, the Guidelines. Such policies and procedures are explained and justified in the proceeding subsections.

A. Agricultural Irrigation Pump Engines - Modified Funding Caps

The DISTRICT utilize modified funding caps for all the project types in its agricultural irrigation pump engines component. The modified funding cap for the project types will encompass funding projects on a dollar per horsepower basis (based on the horsepower of the new engine or motor), not to exceed the 85% Guidelines maximum funding cap, whichever amount is lower. All project types in the agricultural irrigation pump engines component will be subject to maximum eligible funding amounts up to the current cost-effectiveness limit as restricted by the Guidelines. With the approval of the DISTRICT Policies and Procedures manual, the dollar per horsepower funding cap will be as follows:

Diesel to Diesel Engine Repower:

Horsepower Rating:	\$/horsepower:
26-99	\$140
100-125	\$120
126-150	\$100
151-749	\$90

Diesel to Electric Repower (Option A):

Option A will pay up to 85% of the cost of the new electric motor when no line extension fees are charged by the electric service provider. The maximum eligible incentive amount is based on the horsepower of the new electric motor. Funding is capped at the following horsepower levels for each new motor, not to exceed 85 percent of eligible costs:

Horsepower Rating:	\$/horsepower:
26-99	\$150
100-199	\$130
200-499	\$140
500-600	\$150

Diesel to Electric Repower with Line Extension (Option B):

Option B will pay approximately 50% of the cost of the electric motor plus a portion of the line extension fees charged by the electric service provider (up to the cost-effectiveness limit). The maximum eligible incentive amount is based on the horsepower of the new electric motor (not to exceed 85 percent of eligible costs) plus the line extension cost, minus any rebates/allowances:

Horsepower Rating:	\$/horsepower:
26-99	\$100
100-199	\$90
200-499	\$90
500-600	\$100

Natural Gas/Propane to Electric Repower (Option A):

Option A will pay up to 85% of the cost of the new electric motor when no line extension fees are charged by the electric service provider. The maximum eligible incentive amount is based on the horsepower of the new electric motor. Funding is capped at the following horsepower levels for each new motor, not to exceed 85 percent of eligible costs:

Horsepower Rating:	\$/horsepower:
26-99	\$150
100-199	\$130
200-499	\$140
500-600	\$150

Natural Gas/Propane to Electric Repower with Line Extension (Option B):

Option B will pay approximately 50% of the cost of the electric motor plus a portion of the line extension fees charged by the electric service provider (up to the cost-effectiveness limit). The maximum eligible incentive amount is based on the horsepower of the new electric motor (not to exceed 85 percent of eligible costs) plus the line extension cost, minus any rebates/allowances:

Horsepower Rating:	\$/horsepower:
26-99	\$100
100-199	\$90
200-499	\$90
500-600	\$100

The funding caps were established using approximately three years of historical data. The Grants & Incentives GMS database was queried to determine the average quoted price of specific engines and electric motors at different horsepower ratings. The average quoted price was used to calculate the dollar per horsepower amount.

As part of the application process, applicants are required to submit an itemized quote for the new engine or motor. The project quotes will be reviewed periodically in order to maintain an appropriate funding level for the different project types. The dollar per horsepower funding cap may be affected based on the cost trend indicated in the quotes and the funding cap may be recalculated accordingly.

The funding caps were established for several significant reasons. By implementing reasonable funding caps, funds can be expended on more projects and therefore achieve more emission reductions. Additionally, the establishment of the funding caps will promote healthy competition amongst dealers as applicants look for best prices. Dealers will be deterred from increasing standard market prices in an attempt to obtain maximum funding amounts. Lastly, DISTRICT staff expects the establishment of the funding caps to help expedite the application process by eliminating some of the current steps taken to ensure the validity of quotes and prices.

B. Supplemental DISTRICT Form for Project Invoices

The Guidelines require that an itemized invoice must be submitted prior to project reimbursement. As detailed in the Guidelines, specific items such as labor expenses and hourly labor rates must be included on the invoice to be considered eligible for reimbursement. The DISTRICT realizes that standard invoicing practices for many dealers may not be consistent with Community Air Protection Program invoice requirements, and has therefore developed a supplemental form, the New Engine/Equipment Information Form to compensate. The New Engine/Equipment Information Form is required to be completed by the dealer and requests specific

information pertaining to the purchase and invoice of the new engine, equipment, vehicle, and/or retrofit.

The DISTRICT will accept information documented on the New Engine/Equipment Information Form to supplement any required information not specified on the invoice since the Form is required to be completed and certified by the dealer. The development of this Form will assist in streamlining the claims process as it will alleviate the necessity for Grants & Incentives staff to contact dealers to clarify invoices. A copy of the Form is included as an appendix to this document.

C. Heavy-Duty Off-Road Repower & Retrofit – Modified Funding Caps

DISTRICT policy regarding off-road repower and retrofit incentives will limit the grant amount to the lesser of 85% of the cost to repower or the dollar per horsepower funding cap used in the Off-Road Agricultural Equipment Replacement Program component. The funding table is referenced in DISTRICT's Off-Road Equipment Replacement Plan.

The idea is to limit the incentive for a repower at the same amount would pay for a new replacement machine. The only time we would pay 85% of the repower cost, without a dollar per horsepower cap, is a situation in which our program has not paid to replace a specific type of machinery. To date, some examples include: dozers, grape harvesters, road graders, scrapers, trenchers, and other very specialized equipment that may be very expensive for the applicant to replace.

D. Agricultural Tractor Replacement – Modified Funding Caps

The DISTRICT utilizes modified funding caps for all the project types in its agricultural tractor replacement program. The modified funding caps will encompass funding projects on a dollar per horsepower basis (based on the horsepower of the new engine), not to exceed the 60% Guidelines maximum funding cap, whichever amount is lower. All project types in the agricultural tractor replacement program will be subject to maximum eligible funding amounts up to the current cost-effectiveness limit as restricted by the Guidelines. With the approval of the DISTRICT Policies and Procedures manual, the dollar per horsepower funding cap will be as follows:

Cotton Pickers, Articulated Wheel Loaders, Backhoes & Motor Graders (advertised hp rating)	SJVAPCD Incentive
All Horsepower Ratings	\$650/hp
Agricultural Tractors (advertised hp rating)	SJVAPCD Incentive
25-74	\$300/hp
75-149	\$350/hp
150 +	\$500/hp
Specialty Equipment (advertised hp rating)	SJVAPCD Incentive
25-109	\$450/hp
110+	\$500/hp

The funding caps were established using approximately three years of historical data. The GMS database was queried to determine the average quoted price of specific agricultural tractors at different horsepower ratings. The average quoted price was used to calculate the dollar per horsepower amount.

As part of the application process, applicants are required to submit an itemized quote for the new agricultural tractor. The project quotes will be reviewed periodically in order to maintain an appropriate funding level for the different project types. The dollar per horsepower funding cap may be affected based on the cost trend indicated in the quotes and the funding cap may be recalculated accordingly.