

Butte County Air Quality Management District

Community Air Protection Incentives

Policies and Procedures Manual

**Approved for Adoption on February 27, 2020 by the
Butte County Air Quality Management District Governing Board**

BCAQMD Community Air Protection Incentives Policies and Procedures

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Incorporated Documents:

Carl Moyer Program Policies and Procedures Manual

Guidance Documents:

Carl Moyer Program 2017 Program Guidelines

Community Air Protection Funds Supplement to the Carl Moyer Program 2017 Guidelines

Community Air Protection Incentives 2019 Guidelines

Community Air Protection Grant Agreements with CARB

I. Introduction

Assembly Bill (AB) 617 (Chapter 136, Statutes of 2017) directed the California Air Resources Board (CARB), in conjunction with local air districts to establish the Community Air Protection (CAP) Program. AB 617 provides a community focused action framework to improve air quality and reduce exposure to criteria air pollutants and toxic air contaminants 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 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 CAP incentives to be administered by air districts in partnership with local communities. The Legislature expanded the scope of the CAP incentives appropriated in SB 856 to include additional project types.

CARB developed proposed CAP Incentives 2019 Guidelines which contain guiding principles, program administration requirements, and eligibility criteria for new incentives to address the new project categories identified in SB 856. These CAP Guidelines build upon 2018’s CAP Funds Supplement to the Carl Moyer Program (CMP) 2017 Guidelines. The Butte County Air Quality Management District (District) will use these two guiding documents, as well as CARB’s Carl Moyer Program Guidelines and the District’s Carl Moyer Program Policies and Procedures Manual to guide the District’s policies and procedures for CAP Incentives projects.

II. Program Timeline (target date unless required by grant agreement)

Date	Goal
February 2020	Conduct Community Outreach
March 2020	Solicit for Proposals
April 2020	Board Approval of Selected Projects
By May 1, 2020	Submit Grant Disbursement Request to CARB
By June 30, 2020	50% of FY18-19 project funds under contract
By June 30, 2021	100% of FY18-19 project funds under contract
By June 30, 2022	100% of FY18-19 CAP Incentive Funds Liquidated

III. Eligible Project Categories

A. Carl Moyer Program Eligible Projects

The Community Air Protection Funds Supplement to the CMP 2017 Guidelines provides the requirements and funding levels for funding Carl Moyer Program eligible projects using CAP Incentives. If selected, these projects will be administered using the District’s Carl Moyer Program Policies and Procedures Manual. Table 1 shows the maximum funding amounts for Carl Moyer Program eligible projects under the Community Air Protection Program.

Table 1: Maximum Percentage of Eligible Cost and District Funding Caps for Projects funded with CAP Incentives.

Category	Project Type		Community Air Protection	
			District Funding Cap	Maximum Eligible Cost
On-Road	Zero-Emission Replacements or Conversions	School Buses	None	100%
		Transit Buses	None	95%/90%/60%
		HHD Vehicles	None	95%/90%/60%
		MHD Vehicles	None	95%/90%/60%
		LHD Vehicles	None	95%/90%/60%
	Emergency Vehicles	None	90%	
Off-Road	Repower to Zero-Emission		None	95%
	Mobile Equipment Replacement		None	90%
	Portable Equipment Replacement		None	90%
Infrastructure	Any Infrastructure Project		None	60%
	Any Infrastructure Project Located at a Sensitive Receptor		None	100%
	Publicly Accessible Projects		None	70%
	Public School Bus Battery Charging and Alternative Fueling		None	100%

a. Heavy Duty Engine Replacement

The following engine replacement projects are eligible for CAP Incentives administered by the District provided that state and local requirements are met:

- Diesel or CNG to zero-emission on-road vehicle replacement;
- Diesel or spark ignited to zero-emission off-road equipment replacement.

b. Zero Emission Infrastructure

The following infrastructure projects are eligible for CAP Incentives administered by the District:

- Battery charging infrastructure associated with an equipment replacement project;
- New battery charging station (requires future amendments to District’s CMP Policies and Procedures Manual).

B. Reducing Air Pollution in Schools

These project categories are designed to decrease exposure and address a range of outdoor and indoor air emissions sources that may potentially affect the health of school children. The District may fund a project or projects at schools in disadvantaged communities or low-income communities. These project categories will be administered by this Policies and Procedures Manual with guidance from Chapter 5 of the Community Air Protection Incentives 2019 Guidelines.

a. Air Filtrations Systems

Air filtration reduces the concentration of particulate contaminants from indoor air and is an important component of a school’s Heating Ventilation and Air Conditioning (HVAC) system. Reducing airborne particles (such as PM2.5) is important because particulate matter negatively impacts human health, especially for sensitive populations such as children. Older HVAC systems and basic air filtration used in some schools only remove a small fraction of particles in the air that are smaller than 0.3 microns (µm). More efficient HVAC air filters and standalone air cleaners are important for creating healthier air in school classrooms. Table 2 shows the maximum funding amounts for this project type.

Table 2: Funding Amounts for Air Filtration Systems

Type of Equipment	Funding Amount ¹
Air Filters (MERV 14+)	Up to 100%
Standalone Systems	Up to 90%

¹Total cost cannot exceed \$45,000, unless increased by CARB, for all of the equipment and installation costs at each school site.

b. Composite Wood Products

This project type pays a portion of the cost to replace damaged school furniture with furniture that contains composite wood made with no-added formaldehyde (NAF) glue or ultra-low emitting formaldehyde (ULEF) glue, thus decreasing the potential for formaldehyde emissions in classrooms. Table 3 shows the maximum funding levels for this project type.

Table 3: Funding Levels for Ultra-Low/ No-Added Formaldehyde Composite Wood Products Used in Schools

Type of Equipment Funded ¹	NAF Funding Percentage	ULEF Funding Percentage
Tables/Desks/Countertops	100 %	90 %
Chairs	100 %	90 %
Cabinets	100 %	90 %

c. Zero-Emission Lawn and Garden

The use of internal combustion lawn and garden equipment to maintain schoolyards and sporting fields exposes children and equipment operators to elevated levels of air toxics and criteria air pollutants. This project type provides incentives to schools in disadvantaged communities or low-income communities and contractors servicing those public schools to purchase zero-emission L&GE less than 19 kilowatts (or 25 horsepower) such as lawn mowers, chainsaws, leaf blowers, trimmers, etc. Table 4 shows the maximum funding amount for this project type.

Table 4: Eligible Zero-Emission Lawn and Garden Equipment Types and Funding Amounts

Equipment Type	Equipment Funding Amount	Funding Amount for Additional Batteries and/or Charger
Chainsaws/Polesaws, Edgers, Trimmers, Blowers/Vacuums	70 percent of purchase price up to \$400	70 percent of purchase price up to \$400
Walk-Behind Mowers	70 percent of purchase price up to \$750	70 percent of purchase price up to \$750
Ride-On or Standing Ride Mowers	70 percent of purchase price up to \$15,000	Not Eligible

IV. Project Selection

The District will use the Guiding Principles included in the CAP Incentives 2019 Guidelines to help select projects that meet the goals of the Community Air Protection Program and AB 617. These Guiding Principles include:

- Reducing emissions in disadvantaged and low-income communities, with a goal of 70% of funds benefitting disadvantaged communities and 80% of funds benefitting low-income communities;
- Considering toxic air contaminant, criteria air pollutant, and greenhouse gas benefits;
- Engaging communities and providing support;
- Providing emission reductions in excess of laws or regulations;
- Prioritizing zero-emission technology and infrastructure;
- Considering special projects that protect sensitive receptors;
- Ensuring transparency in project selection and reporting;
- Considering both cost-effectiveness and relative exposure reduction in funding decisions.

A. Community Engagement

The District will provide direct outreach to groups of potential applicants in disadvantaged and low-income communities to increase awareness of funding opportunities. The District may also conduct outreach in or near disadvantaged

communities to seek input on important community needs from local residents and community-based organizations. A survey may be distributed asking participants to highlight their community's air quality-related needs (toxics, diesel PM, wildfire smoke, criteria pollutants, GHGs, etc.). The issue reported by the most community members will be considered the community's primary need for the purposes of project ranking. Other needs will be considered secondary needs for the purposes of ranking projects. Community outreach information will be documented for inclusion in disbursement requests and semi-annual reports. Priorities identified by community members and organizations will be documented and provided to the District's Governing Board.

A map of Disadvantaged Communities (SB 535 (De León, Chapter 830, Statutes of 2012)) and Low income Communities (AB 1550 (Gomez, Chapter 369, Statutes of 2016)) is available at <https://ww3.arb.ca.gov/cc/capandtrade/auctionproceeds/lowincomemapfull.htm>.

B. Project Solicitation

The District will open a one-month solicitation period in the spring of 2020 to accept project proposals. The District will make the required documents and guidelines available to the public on the District website as well as at the District office. Proposals will be reviewed, and the applicant will be notified within 30 working days of receipt of the completeness of the proposal. Proposals will be tracked in the CARL database as well as in an excel spreadsheet.

Outreach for project solicitation will include press releases to local media and outreach to the potential applicants and community groups involved in the community engagement process.

C. Project Ranking

The District will prioritize eligible projects based on the following criteria (from highest priority to lowest priority):

- a. Projects in disadvantaged communities addressing a primary community need as determined based on community engagement.
- b. Projects in disadvantaged communities addressing a secondary community need as determined based on community engagement.
- c. Projects in low income communities addressing a primary community need as determined based on community engagement.
- d. Projects in low income communities addressing a secondary community need as determined based on community engagement.
- e. Other eligible projects in disadvantaged communities.
- f. Other eligible projects in low income communities.
- g. Projects located outside of disadvantaged communities and low income communities that may benefit these communities.
- h. Eligible projects located outside of disadvantaged communities and low income communities.

CMP eligible projects & school lawn and garden projects within each priority level will be ranked based on cost-effectiveness. School composite wood and air filtration projects will be ranked based on the number of students to benefit from the project.

D. Governing Board Approval of Projects

The District will post a proposed list of projects on the District's website at least one week prior to the regular meeting of the District's Governing Board where projects will be proposed for approval. All applicants will be notified of the time, date, and location of the regular meeting of the District Governing Board.

E. Award Notification

The District will mail all applicants a list of the approved projects. A list of approved projects and awardees will also be posted on the District's CAP webpage.

V. Project Management

A. Pre-Inspections

After selecting a potential project, the District will complete a pre-inspection prior to contract execution. Pre-inspections for CMP eligible projects will follow the District's CMP Policies and Procedures Manual.

The pre-inspection for school air filtration projects will include photos of the current in-use air filtration system, in-use filters, and the space to benefit from the project. The pre-inspection for composite wood product projects will include photos of existing furniture/furnishing to be replaced with manufacturer information, if on equipment. The pre-inspection for school lawn and garden equipment will include photos of the internal combustion equipment to be replaced.

All pre-inspections will include other relevant information including, but not limited to, name of inspector, date of inspection, name of equipment owner, and location and area of operation of the equipment.

B. Contract Development

Once pre-inspections are completed and the equipment is verified as being eligible for funding (if needed, through a compliance check with CARB), the District will develop a grant contract. Grant contracts for CMP eligible projects will be developed in accordance with the District's CMP Policies and Procedures Manual.

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Contracts for school projects will include the general requirements included in Chapter 5 of the CAP Incentives 2019 Guidelines, party names and dates, contact information for both parties, requirements regarding co-funding, contract term, project completion date, funding amount, project specifications including information on existing and new equipment, compliance statements, maintenance requirements, reporting requirements, recordkeeping requirements, provisions to allow audits and inspections, and repercussions for nonperformance.

The applicant has sixty (60) calendar days after receiving the contract to review, sign, and return the contract with all requested supporting documentation. If a contract and associated supporting documentation is not returned within sixty (60) calendar days, funds may be allocated to another project. Written requests for an extension may be approved on a case by case basis by the APCO.

An applicant may not order or make a down payment on a new engine, piece of equipment, or vehicle prior to contract execution. Dealers ordering engines, equipment, or vehicles prior to air district approval of grant application awards assume all financial risk and are in no way ensured program funds.

C. Post Inspections

The District will gather and document post-inspection information on all projects funded with CAP incentives prior to payment to the grantee. Post-inspections for CMP eligible projects will follow the District's CMP Policies and Procedures Manual.

The post-inspection for air filtration projects at schools will verify the following information, as applicable: Air filter and/or system manufacturer, model, MERV rating, pollutant removal efficiency (percentage), usage life, size, and filter materials. The post-inspection for composite wood product projects will include photos of new furniture/furnishing and the NAF/ULEF labels. The post-inspection for school lawn and garden projects will include photos of the new zero-emission equipment and destroyed combustion equipment. All post-inspections will verify that new equipment is consistent with the grant contract.

D. Project Completion

The District will make payment for a project or equipment only after the post-inspection finds the project or equipment in place and operational, and the air district receives an invoice itemized in sufficient detail to ensure that only completed and eligible project costs are reimbursed, and other sources and amounts of funding for the project are reviewed to ensure the sum of all project funds does not exceed the total project cost. For multi-stage projects, partial payments may be approved on a case-by case basis and is described in the

contract. The District will maintain a clear record of progress payment in the project file and in the administration fiscal database.

If any portion of the equipment purchase requires financing, the Program Participant shall provide the financing terms to the District before the District issues payment. A minimum of the full Contract amount shall be used to pay down any financing within 30 days of receiving payment from the District. Proof of payment is due to the District within 45 days of receiving payment from the District. The amount financed may not exceed the incremental cost of the project.

An applicant that is not a public entity must provide at least 15 percent of a project's Moyer eligible cost from non-public sources. The applicant cost share cannot be covered through in-kind contributions.

E. Air District Audit of Projects

The District will conduct audits of projects funded with CAP incentives. On an annual basis these audits will include five percent of active projects or 20 active projects (whichever is less). These conducted audits are to include any projects with unsatisfactory annual reporting.

F. Nonperforming Projects

The District will work with nonperforming project grantees to ensure CAP Incentives project requirements are met and emissions reductions are achieved. Air districts may consider unforeseen circumstances beyond the grantee's control in determining repercussions for nonperformance.

If the District is not successful in gaining grantee compliance with the usage and program requirements specified in a contract, the District will make all reasonable efforts to recapture CAP incentives from the grantee, in consultation with CARB. Recaptured funds will be reassigned to projects that achieve the shortfall in emissions reductions or usage. The District's efforts to recapture funds may be guided by circumstances such as suspected or actual fraud or misuse of funds, the amount of CAP incentives involved, or the ability of the grantee to repay the funds.

VI. Project Records

The following items will be maintained in the project file(s) until three years after the contract term:

- a. Applications and/or project proposals including receipt date;
- b. Project ranking and selection criteria as applicable;
- c. Correspondence;
- d. Pre & post inspection forms;
- e. Project invoices;

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- f. Annual reports;
- g. Any usage waivers.

Administrative records, including project implementation costs, invoices, contracts, and personnel and payroll records will be retained for a minimum of five (5) years following the funds liquidation deadline for the grant.

Applications for unfunded projects must generally be kept a minimum of two (2) years following the solicitation period, or two years from receipt if there is not a specified solicitation period.

VII. Reporting

A. Annual Grantee Reporting

The District will request annual reports commencing no later than 18 months after project post-inspection and continuing annually thereafter throughout the project implementation phase of the contract. The District will include the dates the grantee annual report is due. CMP eligible projects will use existing reporting templates included in the CMP Policies and Procedures Manual.

School air filtration projects will report the estimated hours of use and average number of people in the room during use. Reporting will also include a statement of any performance and maintenance issues. School composite wood product projects will report the approximate average class size as well as the number of hours the room is in use.

The District will review the annual report for completeness, accuracy, and reported usage, and will maintain in the project file a copy of the report that is initialed and dated by the reviewing staff. If an annual report is incomplete, inaccurate or not received from the grantee on schedule, the air district will make a reasonable attempt to obtain a complete and accurate report from the grantee. If the air district is unable to obtain the report, the air district will identify the project for audit. Grantees that have not submitted complete required reports will not be granted funds for new CAP incentives projects until all reports are satisfactorily submitted.

B. District Reporting

Twice a year the District will report to CARB. The District will submit a Yearly Report in the fall and a Mid-Cycle Report in the spring. CARB will provide instructions for both reports. The District will complete, certify, and submit these reports by the dates specified in Table 5 below.

Table 5: Community Air Protection Incentives Reporting Dates

Date	Action
May 31	Mid-Cycle Report (Projects Nov 1 - April 30) due to CARB
June 30	CARB submits data to CCIRTS
November 29	Yearly Report (Projects May 1 – October 31) due to CARB
December 31	CARB submits data to CCIRTS

The District will also report project information in the CARL database, either via CARL forms or batch import, sufficient to populate the required data fields and to calculate covered emissions reductions and cost effectiveness for source categories where required. The District will ensure that information in CARL is complete, correct, and supported by documentation.

Reporting for CAP incentives projects may be updated to reflect program changes and California Climate Investments reporting requirements. In the event of a conflict, the California Climate Investments reporting requirements will take precedence. No later than six months after the District fiscal year end, the air district will append to its Yearly Report financial statements displaying revenues and expenditures related to projects funded by CAP incentives, in formats consistent with GAAP.

VIII. Fiscal Administration

CAP incentives must be accounted for as separate funds or have separate project IDs within the air district's general ledger following Generally Accepted Accounting Principles (GAAP). An air district receiving a total allocation of one percent or more of all fiscal year 2018-19 CAP incentives must use a Special Revenue Fund for CAP incentives accounting. Other air districts may use a Trust Fund. CAP Incentives grants are voluntary non-exchange transactions to the air district. As such the District should recognize revenues in the fiscal period when all eligibility requirements have been met and the resources are available. For reference see Governmental Accounting Standards Board (GASB) Statements 33 and 34.

A. Advanced Payment

The District will place advance payment funds in an interest-bearing account and track interest accrued on the advance payment. Interest earned on the advance payment will only be used for eligible grant-related expenses or will be returned to CARB.

The District will report to CARB the value of any unused balance of the advance payment and interest earned. The District will remit to CARB any unused portion of the advance payment and interest earned within 90 days following the end date of the grant.

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The District will complete and submit to CARB for review and approval, an Air District Advance Payment Request Form, along with each grant disbursement that is requesting advance payment.

B. Project Implementation Costs

Allowable expenditures for administrative and implementation costs associated with the grant are divided into direct project costs and indirect project costs. Air districts must keep records of project implementation costs that include all necessary staff and tasks to implement the project. If appropriate, this includes activities such as outreach and education, research, data management, and reporting.

Direct project costs are the direct project labor and expenses associated with the project, and include, but are not limited to, the following: Personnel costs and fringe benefits, travel expenses, external consultant and third-party contract fees for direct support, Printing, records retention, and mailing associated with staff working on the project.

Indirect project costs are administrative costs not tied directly or solely to the project such as distributed administration and general administrative services; non-project related contracts or subscriptions; rent and office space, phones and telephone services, printing, or mailing services not associated with staff working on the project; or any other costs that are not directly and fully incurred to support the grant. Indirect project costs may not exceed 4 percent of the total grant amount.

C. Financial Statements

Financial statements containing, at a minimum, the following account balances and transaction classes, as applicable, will be prepared at least annually:

- a. Cash and Cash Equivalents (cash, investment pools, petty cash);
- b. CAP Incentives Revenue Receivable (grant funding from CARB);
- c. Recapture Revenue Receivable (recapture funds receivable from grant participants for unmet contractual obligations);
- d. Accounts Payable (vendor invoices pending for CAP incentives projects);
- e. Fund Balance (restricted for Projects and Administrative costs);
- f. Revenue Subsidiary Ledgers;
- g. CAP Incentives Project Revenue;
- h. Administration and Operating Revenue;
- i. Recapture Revenue;
- j. Interest Revenue;
- k. Project Expenditures (from CAP incentives grants, recapture, salvage, interest);

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- I. Administration and Operating Expenditures including indirect costs;
- m. CAP incentives air district money returned to CARB for reallocation;
- n. Transfers In/Out.

D. Interest Revenue

The District will maintain accounting records that tracks the grant's interest earned on CAP incentives separately from other incentive fund programs. The calculation of interest earned will be based on a daily balance or some reasonable and demonstrable method of allocating the proceeds from the interest-generating account back into the program; and will be consistent with how it is calculated for the District's other fiscal programs. Interest earned will only be used for eligible grant-related expenses as specified in applicable guidelines, including administration up to the portion provided for in the grant agreement, or be remitted to CARB.

Earned interest must be fully expended or returned to CARB if it is not used by the end of the grant performance period. The District will report in the Yearly Report interest earned on all CAP incentives during the previous fiscal year. Documentation of the interest earned must be retained for a minimum of three years following its generation and liquidation.

IX. Coordination with CARB

CARB has assigned a staff liaison for each district. The present liaison assigned to the District is:

Dinh Quach, California Air Resources Board
9480 Telstar Ave, Suite 4
El Monte, CA 91731
626-350-6485
dquach@arb.ca.gov

District staff currently responsible for implementing the CAP Incentives program include: the APCO, the Administrative Services Officer, the Air Quality Planner, and the Accounting Technician. District staff will document any correspondence with CARB staff regarding CARB interpretations, clarification, guidance or possible deviations from the CAP Incentives 2019 Guidelines. All documentation will be kept in the CAP Incentives project files and should be retained for at least three (3) additional years after the last year of the District's participation of this program.

X. CARB Oversight

A. The District will comply with all oversight responsibilities identified in the CAP Incentives 2019 Guidelines, any future Program Advisories and Mail-Outs, and Grant Agreements.

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B. CARB or its designee reserves the right to audit at any time during the duration of this grant the District's costs of performing the grant and to refuse payment of any reimbursable costs or expenses that in the opinion of CARB or its designee are unsubstantiated or unverified. The District will cooperate with CARB or its designee including, but not limited to, promptly providing all information and documents requested, such as all financial records, documents, and other information pertaining to reimbursable costs, and any matching costs and expenses.

C. CARB or its designee may recoup funds which were received based upon misinformation or fraud, or for which a District, manufacturer or project participant is in significant or continual non-compliance with the terms of this grant or State law.

XI. APCO Approval

As authorized by the Governing Board, this version of the Butte County Air Quality Management District's Policies and Procedures Manual for Community Air Protection Incentives is approved by:



W. James Wagoner,
Air Pollution Control Officer

3/5/2020

Date