



Subject: Update Sacramento Emergency Clean Air and Transportation Guidelines to Promote Low Carbon Transportation (Est. time: 10 minutes)

Action

Prepared by: Matt Carpenter

Approved by: Matt Carpenter

Attachments: Yes

1. Issue:

Should the board approve the proposed modifications to the Sacramento Emergency Clean Air Transportation (SECAT) program guidelines?

2. Recommendation:

That the Transportation Committee recommend that the board adopt modified SECAT program guidelines for use by the Sacramento Metropolitan Air Quality Management District (SMAQMD) in the ongoing administration of the program.

3. Background/Analysis:

The SECAT Program was initially set up to help the Sacramento Federal Nonattainment Area (SFNA) meet regional federal ozone targets. Over the years it has been in place, SECAT has been successful in promoting clean diesel technology and helping regional fleets comply with state requirements. The SECAT program helped the SFNA attain the federal ozone standard.

4. Discussion/Analysis:

Staff continuously evaluates the policy framework, implementation procedures, and overall effectiveness of the SECAT Program in order to ensure that the SFNA achieves the highest air quality emission benefits possible. Attainment of the federal ozone standard in the SFNA provides an opportunity to evolve the SECAT program. The proposed modifications to the program guidelines will allow applicants to better leverage substantial state and federal grant funding opportunities for low carbon transportation, and focus on community air quality benefits.

The California Air Resources Board (CARB) is now using funds from the state Cap & Trade programs and other related state programs (e.g., the Carl Moyer program) to assist with the purchase of low-carbon transportation vehicles, such as electric school buses, transit buses, and

public works vehicles. In addition, CARB also provides financial assistance to purchase ultra-low emission natural gas vehicles. The proposed modifications to the SECAT Guidelines leverage the available state funding from CARB by broadening SECAT eligibility and promoting investments in these low carbon transportation options.

Highlights of the proposed modifications to the SECAT program guidelines:

- **Make ineligible the purchase of conventional diesel replacement vehicles.** All replacement vehicles must be zero-emission vehicles or have an engine certified to CARB Optional Low NOx Standards and be legal for sale in California.
- **Add funding for Low Carbon Transportation Infrastructure.** The SECAT Program can fund infrastructure services to support deployment of low carbon transportation fuels including electricity, hydrogen, natural gas, and other fuels. Program funding will be consistent with the Carl Moyer Program guidelines and Congestion Mitigation & Air Quality (CMAQ) funding requirements.
- **Reserve funding for applicants from all six SACOG counties in the SFNA.** The modified guidelines ensure that applicants from across the region will have an opportunity to pursue zero and near-zero emission vehicles. For each application period, the funding available for each county will be set at a population pro-rata amount. Also, no applicant can receive more than 50% of a county's available SECAT funding.
- **Streamline qualification procedures.** Applications will now be evaluated to determine if each vehicle meets minimum operation criteria in the SFNA. Vehicles will receive full funding if staff determines the vehicle meets these minimums. The vehicle being replaced must be registered in the SFNA to receive funding, and would continue to be required to be salvaged.
- **Eliminate minimum annual usage requirements.** Participants will be required to demonstrate that they have been operating in the SFNA for the past two years, but will no longer need to meet annual usage requirements. Contracts will still require usage in the SFNA for five years.
- **Incorporate Federal Buy America Waiver Requirements.** All replacement vehicles and other projects must comply with federal Buy America steel requirements under the CMAQ guidelines.

5. Fiscal Impact/Grant Information:

There is no fiscal impact to SACOG's operating budget because the program is now administered by the SMAQMD.

There is approximately \$12 million available for successful applicants. The modified SECAT program guidelines are fully compliant with relevant federal and state requirements, including those for the revenue source (CMAQ) that is used for program allocations.

6. This staff report aligns with the following SACOG Work Plan Goals:

7. Deliver Key High-Profile Transportation Projects

ATTACHMENTS:

Description

Attachment A: 2018 SECAT Guidelines



August 2018

Sacramento Emergency Clean Air Transportation Program Guidelines



Prepared by the
Sac Metro Air District
in partnership with the
Sacramento Area
Council of Governments

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1.0 EXECUTIVE SUMMARY

The Sacramento Emergency Clean Air Transportation (SECAT) Program is a partnership between the Sacramento Metropolitan Air Quality Management District (District or SMAQMD) and the Sacramento Area Council of Governments (SACOG). The program's goal is to promote zero and near-zero emission on-road heavy-duty vehicles operating in the SACOG region.

In 2000, the SECAT Program received \$66 million to reduce emissions released from heavy-duty vehicles in the SFNA by providing incentives to offset the costs of purchasing lower-emission technologies and an additional \$4 million used by SACOG to help replace old diesel transit buses – totaling \$70 million in funding from the state Traffic Congestion Relief Fund (\$50 million) and the federal Congestion Mitigation and Air Quality (CMAQ) funding program (\$20 million). This program was originally created by California Assembly Bill (AB) 2511 to help assure that the Sacramento Federal Nonattainment Area (SFNA) would meet its commitments under the State Implementation Plan (SIP) for air quality attainment.

In 2008, the SECAT Program received an additional \$3.2 million in federal CMAQ funds with additional allocations on a yearly basis, which will be primarily used for projects that benefit the Sacramento region through improved air quality. Projects will need to demonstrate reductions in oxides of nitrogen (NOx) emissions, but the program will also result in additional greenhouse gas reductions to meet regional, state, and federal targets.

The SMAQMD now has program and fiscal control of the SECAT program under oversight from SACOG. Agreements funded by SACOG under previous guidelines are now fully administered by the SMAQMD with most covered by the provisions of these guidelines as outlined in the memorandum of agreement between the agencies. Funding will now be allocated to the six counties in the SACOG region based on the population of each county.

The SECAT Program will now encourage the displacement of conventional trucks and buses with zero and near-zero emission heavy-duty vehicles. This will allow regional fleets to better leverage state and federal grants and promote the technology in the region. As part of other efforts with the SMAQMD and SACOG, these vehicles will play a key role in meeting regional commitments to greenhouse gas and community air protection goals.



2.0 INTRODUCTION / BACKGROUND

2.1 Purpose of the SECAT Program

Although air quality in the Sacramento Federal Nonattainment Region (SFNA) for ozone has improved significantly over the last 10 years, we continue to experience violations of state and federal ozone standards. Most of the pollution is created by mobile sources, including heavy-duty vehicles. Over 30% of NOx emissions from mobile sources come from heavy-duty vehicles.

In 1994, the five air districts within the SFNA adopted a federally mandated State Implementation Plan (SIP), which required the region to decrease emissions from heavy-duty vehicles as one part of a larger strategy to attain the federal one-hour ozone standards by 2005 as mandated by the federal Clean Air Act. In 1997, the U.S. Environmental Protection Agency (USEPA) adopted a new 8-hour ozone standard. The regional air districts approved a new 8-hour SIP in 2008, which will include requirements to reduce heavy-duty vehicle emissions. Currently, the SFNA has been classified as “severe” for the federal 8-hour ozone standard with an attainment date of 2019.

Sacramento Area Council of Governments (SACOG) is the designated planning organization for the region responsible for ensuring that transportation projects and plans do not impede the region’s clean air goals. SACOG evaluates all projects included in the Federal Metropolitan Transportation Plan and the Metropolitan Transportation Improvement Program to ensure consistency with air quality objectives and the SIP.

As part of the region's overall effort to meet clean air standards and achieve conformity with transportation plans, SACOG also partners with the air districts to promote clean-fuel vehicles and develop mobile source control measures.

One such measure is the development and implementation of the Sacramento Emergency Clean Air Transportation (SECAT) Program. The SECAT Program was created as part of the SIP effort to provide incentives to help on-road heavy-duty truck owners purchase technologies to reduce emissions in the SFNA in order to meet federal air quality standards. Although no longer part of the SIP, SECAT now continues as a regional effort to promote clean vehicle technology in the SACOG region by funding zero and near-zero emission heavy-duty vehicles.

This document sets out the policies and guidelines of the SECAT Program. The SECAT Program now focuses on zero emission heavy-duty vehicle purchases and replacement of existing vehicles with near-zero emission combustion vehicles to help truck owners and fleet managers reduce emissions according to federal Congestion Mitigation and Air Quality (CMAQ) guidelines.

The following policies and guidelines in this document include minimum qualifications for a vehicle to enter the SECAT Program, the responsibilities of vehicle owners, vehicle dealerships, engine dealerships, and salvage yards, and information on how funding amounts are determined.

2.2 SECAT Program Funding

The \$70 million allocated under the 2000 SECAT Program has been fully allocated. In 2017, SECAT received \$15 million in the 2018-20 MTIP using funding under the Congestion Mitigation and Air Quality (CMAQ). Applications for new projects will be accepted once funding becomes available.

The SMAQMD now has fiscal control of the SECAT Program and will reimburse participants directly and manage funding through the State of California and United States Department of Transportation.

2.3 Revisions and Updates to the SECAT Program

For the August 2018 Guidelines, the following changes are being implemented to enhance the SECAT Program effectiveness:

1. **Conventional diesel replacement vehicles are ineligible.** All replacement vehicles must have an engine certified to the California Air Resources Board (CARB) Optional Low NOx Standards, be listed as a hybrid vehicle eligible under the state Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), or have zero tailpipe emissions. Vehicles must meet all other applicable requirements.
2. **Streamline qualification procedures.** Applications will now be evaluated to determine if each vehicle meets minimum operation in the SACOG region. Vehicles will receive full funding if staff determines the vehicle meets these minimums.
3. **Eliminate annual usage requirements.** Participants no longer need to meet minimum annual usage requirements.
4. **Incorporate Federal Buy America Waiver Requirements.** All replacement vehicles and other projects must comply with federal Buy America steel requirements under the CMAQ guidelines. Vehicles with a final point of assembly in the United States of America comply with this requirement under waiver.

2.4 Counties in the SACOG Region

The SACOG Region consists of six counties. Funding will be awarded to vehicles registered in the Counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.

2.5 Who We Are

The SECAT Program is a partnership between the Sacramento Area Council of Governments (SACOG) and the Sacramento Metropolitan Air Quality Management District (SMAQMD). The goal of the program is to reduce harmful emissions from on-road heavy-duty vehicles in the region. The Transportation Committee of the SACOG Board of Directors plays a major role in developing and reviewing SECAT Program changes, and in making recommendations to the SACOG Board of Directors for adoption.

2.5.1 The Sacramento Area Council of Governments (SACOG)

SACOG is a legislatively created association of Sacramento Valley governments formed from the six surrounding counties - El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba - and its 22 member cities. The SACOG directors are chosen from the elected boards of its member governments. SACOG's primary charge is to provide regional transportation planning and allocate funding for transportation projects. It also provides a forum for the study and resolution of regional issues. In this role, SACOG prepares the region's long-range transportation plan, keeps a region wide database for its own and local agency use, helps counties and cities use federal transportation funds in a timely way, and assists in planning for transit, bicycle networks, clean air and airport land uses.

2.5.2 The Sacramento Metropolitan Air Quality Management District (SMAQMD)

SMAQMD is also a legislatively created agency, and is the local agency primarily responsible for implementing the federal and state Clean Air Acts. In that capacity, it works cooperatively to coordinate the efforts of local, state and federal government agencies, the business community, and private citizens to achieve and maintain healthy air quality for Sacramento County. SMAQMD cannot achieve healthy air for Sacramento alone; however, with its regulatory efforts and its lead role in development of innovative programs, it can encourage the cooperative inter-agency and public efforts that are required to improve air quality. The SMAQMD's 14-member Board of Directors is composed of all five Sacramento County Supervisors, four members of the Sacramento City Council, one member representing each of the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the Cities of Galt and Isleton. The Board reviews and approves all rules, programs, policies and budgets.

SMAQMD represents the other air districts in the SACOG region in implementing the SECAT Program, and each air district has played an important role in our ongoing efforts to improve air quality in the region.

2.5.3 How to Contact Us / Application Mailing Address

SMAQMD staff is available to answer any questions regarding the SECAT Program. For more information on the SECAT Program or to request an application, go to the website or contact one of the following staff members listed below (subject to change):

Website: WWW.4SECAT.COM

Program Staff:

Kristian Damkier	(916) 874-4892	kdamkier@airquality.org
Heather Taylor	(916) 874-4889	htaylor@airquality.org
Pat Robinson	(916) 874-6276	probinson@airquality.org
Kevin Robison	(916) 875-0325	krobison@airquality.org

Program Supervisors:

Mike Neuenburg	(916) 874-1676	mneuenburg@airquality.org	(Contract/Applications)
Cindy Mahon	(916) 874-6390	cmahon@airquality.org	(Inspections/Audits)

Program Manager:

Jaime Lemus	(916) 874-2911	jlemus@airquality.org
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Mailing Address for Applications:

SECAT Program, Application for Funding
 Sacramento Metropolitan AQMD
 777 12th St., 3rd Floor
 Sacramento, CA 95814-1908

Applicants are encouraged to work with local participating truck and engine dealerships to submit applications. Participating dealerships have been trained to help truck owners understand all of the program requirements to help them complete applications and receive for funding under the SECAT Program.

All applications must be returned signed and dated in their original format in either blue or black ink. Any application that is not signed or dated will be returned. Faxes WILL NOT be accepted.



3.0 GENERAL PROGRAM POLICIES AND GUIDELINES

3.1 General Eligibility

3.1.1 Who is eligible to participate?

Any individual, company, or public agency located in the SACOG region may apply to receive SECAT grant funds.

3.1.2 Who is **not** eligible to participate?

Any applicant applying for funds for purchases that are already required by any local, state, or federal rule or regulation – including, but not limited to, the Energy Policy Act (EPACT), existing regulations, agency memoranda of agreement or understanding, state mobile source Air Toxic Control Measures, or other legally binding requirements. A more detailed discussion of which vehicles are eligible is located in Section 3.9.

3.1.3 What type of vehicle is eligible?

Projects must reduce emissions from on-road heavy-duty vehicles operating in the SACOG region. On-road motor vehicles are defined as “self-propelled motor vehicles that are manufactured for or designed primarily for use on public roads.” All vehicles must be over 14,000 pounds Gross Vehicle Weight Rating (GVWR).

3.1.4 What technologies are eligible to participate?

This program is designed to promote zero and near-zero emission heavy-duty vehicles in the region. These technologies include battery electric school buses, hydrogen fuel cell transit buses, vehicles certified to the Optional Low NOx standards, or other advanced technology vehicles.

3.1.5 Restrictions on emissions averaging, banking and trading.

Low-emission engines, vehicles or technologies funded under the SECAT Program cannot be used to generate emission credits in any emissions averaging, banking or trading program.

3.2 Application Instructions & Evaluation Procedures

3.2.1 Application Instructions

Please follow all of the application instructions. Any incomplete or incorrect applications will be returned to the applicant.

- Fill out and sign the most recent SMAQMD mobile source incentive program application as available at <http://www.airquality.org/>. The application can be also be downloaded from the SECAT website (www.4secat.com) or can be ordered by calling one of the program staff or sending a request via e-mail. Staff contact information is in section 2.5.3.

- Applicants are required to disclose the full legal name of their business entity at the time of application. This information will be checked against the California Secretary of State records (or the applicable state for interstate businesses) for corporations and other legal entities and the local County records offices to confirm fictitious business names, holding companies, and other legal entities.
- Fill in a “Vehicle Information Form” for each vehicle that you are proposing to replace or purchase.
- Submit additional documentation as required under the specific program guidelines. Each specific program may require different paperwork. Contact project staff if there are any questions with regard to additional documentation.
- The application will be reviewed to determine that all the required information has been provided and that all program requirements have been met. If the application is not complete or does not meet the program requirements, it will be returned with a request for additional information or an explanation as to why the application was not approved. The SECAT Program reserves the right to request additional information and can deny the application if such requested information is not provided.

Application Procedure Overview (in general):

1. Applicant submits a complete SECAT Application including all supplementary documentation to SMAQMD for evaluation
2. Applications will be assigned to a Project Manager for review
3. If funding is available, SMAQMD will use its best efforts to contact applicants in a timely fashion to confirm approval or discuss problems with the application
4. Applicants will then be contacted by an Inspector to perform a visual and operational inspection of the old vehicle to verify eligibility
5. Following approval, funding agreements will be circulated to the applicant for signatures (an executed copy of the executed agreement will be returned to the applicant)
6. After the applicant receives a fully executed funding agreement, the applicant may purchase the low emission technology, if applicable, and subsequently invoice the SECAT Program for reimbursement
7. Applicant will be contacted by an Inspector to perform a visual and operational inspection of either the new vehicle or low emission technology to verify eligibility (if applicable)
8. **Fleet Modernization Only:** The old vehicle will also be inspected again by an Inspector prior to its delivery to an approved auction facility or salvage yard to verify that it still meets program requirements (if applicable)
9. Upon receipt of all signed invoices, inspections, and tax information, the Project Manager will submit payment for the amount authorized in the funding agreement
10. Applicant will then be responsible for meeting all requirements in the funding agreement for the term of the agreement including operation, audit, and recordkeeping requirements, if applicable.

3.2.2 Evaluation Procedures

SMAQMD staff will determine when to begin accepting applications for funding based on the availability of funding and other resources needed to run the program. No later than 30 days before opening an application period, the SMAQMD will post notice of how much funding will be available and whether funding will be reserved for specific project vehicle types, technologies, ownership categories, or other criteria. This will be done to best leverage local funding with other sources to help advance low carbon transportation in the region. Funding may be reserved for projects that help the SMAQMD meet its goals under AB 617 and regional climate change emission reduction programs.

Completed applications will be evaluated according to the methodology used in the most current Carl Moyer Program Guidelines to determine if it meets the minimum requirements for the applicable program option. All applications will generally be reviewed and approved on a first-come, first served basis according to the availability of funding and the criteria for each application period, although SMAQMD reserves the right to accelerate approval of particular applications if it determines that early approval will benefit air quality goals.

3.2.3 Applicant Compliance Checks

All applicants will be subject to verification of compliance with all local and state air quality rules, including compliance with air district rules and regulations based on the applicant's business address. Applicants will be required to resolve all outstanding Notices of Violation or other citations with all agencies to receive incentive funding. Potential applicants are advised to check for violations with CARB and/or their local air district prior to applying for funding.

Vehicles must demonstrate compliance with the ARB Truck & Bus Regulation by submitting their Reporting Status Certificate from the Truck Regulations Upload and Compliance Reporting System (TRUCRS) database. All SECAT applicants must be registered in TRUCRS even if registration is not required for compliance.

In addition, the SECAT Program may reject applications from applicants that have previously received incentive funding from SECAT or any other incentive program if they are not in compliance with their contracted performance requirements. Applicants may also be required to reimburse the SMAQMD or SECAT any deficient balance prior to receiving additional incentive funding.

3.2.4 Funding Reserve Procedures

The SECAT Program now reserves funding based on the population of each county in the SACOG Region. This is done to ensure that each region has an equal opportunity to pursue zero and near-zero emission vehicles. The regional breakdown is shown below:

County	2018 Est. Population ¹	% of SACOG
El Dorado	188,399	8%
Placer	389,532	16%
Sacramento	1,529,501	61%
Sutter	97,238	4%
Yolo	221,270	9%
Yuba	74,727	3%

For each application period, SMAQMD staff will allocate available funding to each county based on the population ratios listed above. This allocation will be rounded to provide an even amount of vehicles in each county as much as possible. For example, if the application period has \$1,000,000 in total funding, Yolo County would be reserved \$90,000 based on population, however staff would likely reserve \$100,000 to ensure at least one zero emission vehicle could be funded in that county. After an open application period of at least 180 days, staff may reallocate zero emission vehicle funding to other counties based on actual application demand to spend the remaining funding.

The SECAT program uses the registration address for the vehicle to determine the county in which it is eligible for funding. Applicants will need to show that the old vehicles are registered in the county in which they applied for funding to receive funding. Applications for zero emission vehicles will use the applicant’s physical address to determine the county.

Staff expects a high level of demand for funding for zero emission vehicles in all counties, so initial funding will be reserved exclusively for zero emission vehicles. All zero emission vehicles will be eligible for funding in each county to allow for local demand. The SMAQMD would like to encourage as much participation as soon as possible to maximize the amount of state cap & trade match funding available to regional fleets. SMAQMD staff will work with the regional air districts and other interested parties to ensure that local needs are met with SECAT funding.

The SMAQMD does not anticipate funding near-zero combustion technology unless the SECAT Program is given additional funding. If there is not significant demand for zero emission vehicle technology or additional funding is allocated to SECAT under these guidelines, staff may open up the program to fund combustion vehicles using the same county population formula.

No applicant can receive more than 50% of a county’s funding. If the SECAT program receives additional funding or moves funding from one category to another category, the 50% restriction will apply to the adjusted funding category total. Staff may waive this requirement if needed to meet CMAQ requirements.

¹ Estimated January 1, 2018 Populations from California Department of Finance E-1 Estimates – May 2018

3.3 Participant Requirements & Reimbursement Procedures

Following application approval, each participant will be required to enter into a funding agreement with the SMAQMD. Each participant is required to read and understand the funding agreement. If the participant does not fully understand the agreement terms, conditions, and requirements, it is the participant's responsibility to seek guidance from staff or from a contract law attorney. Although dealership representatives help provide assistance with the application process, they are not authorized to interpret or provide guidance on the agreement terms, conditions, and requirements to participants. All questions and clarifications should be directed to SMAQMD staff for further explanations.

The following is a brief summary of the SECAT requirements.

3.3.1 Grant Agreement Requirements

- Participation in the SECAT Program requires a minimum three (3) year commitment to register and operate the replacement vehicle in the SACOG region. Funding for the project will be issued at the beginning of this commitment. Throughout the contract period, the participant will be required to meet its performance requirements. Projects that fail to meet the agreed performance requirements may be required to refund some or all of the funds issued under the SECAT Program. The participant should contact SMAQMD immediately if it knows or has reason to know that the performance requirements will not be met. The start date for performance will be the date the funds are released to the participant, unless an alternative start date is specified in the funding agreement. Some projects may have a minimum operational usage commitment depending on special circumstances.
- Any emission reduction credits resulting from participating in the SECAT Program will be retired in the interest of air quality improvement. The participant will be required to waive any right to claim emission reduction credits which may accrue at any time as a result of the project. The applicant will also agree not to apply to SMAQMD, any other Air Quality Management District, Air Pollution Control District, or any other public or private entity for any credits based on reductions generated as a result of participating in the SECAT Program. All vehicles funded under the SECAT program cannot be used to comply with the Phase-In Option of the ARB Truck & Bus Regulations until the contract is completed or terminated.
- Participants are required to maintain liability and replacement value insurance coverage for the vehicle(s) participating in the SECAT Program. Self-insurance can satisfy these requirements, but must be approved by SMAQMD prior to execution of the agreement. Additionally, SMAQMD must be listed as a Loss Payee and Additional Insured on the Participant's insurance policy. Participant will be required to maintain the following levels of insurance:
 - \$1,000,000 General Business Liability (commonly referred to as Umbrella) coverage
 - \$1,000,000 General Liability per occurrence for bodily injury, personal injury, and property damage
 - \$1,000,000 Automobile Liability per accident for bodily injury and property damage
 - Comprehensive and Collision coverage sufficient to replace the vehicle(s) and emission control system(s) funded by SECAT

- Participants will be required to document actual usage for each year of the agreement term. Participants will be required to return annual usage reports at least once a year. Projects that fail to submit usage reports may be required to refund some or all of the funds issued under the SECAT Program.
- All participants must keep a driver's log with actual mileage, fuel consumption records, and any other records identified in the contract pertaining to maintenance, down time, and miles traveled. SMAQMD may waive the usage log requirements if the applicant installs a SMAQMD approved Electronic Monitoring Unit. A log must be kept of the maintenance and down time throughout the contract period.
- SMAQMD at its option may require the installation of an Electronic Monitoring Unit capable of tracking the operation of the vehicle and transmitting the data to SMAQMD. If eligible units are identified, the SECAT Program may increase the funding available to the project to include the cost of the system as part of the total incentive amount as long as the total project cost plus the cost of the Electronic Monitoring Unit does not exceed cost effectiveness limits.
- The participant is required to inform SMAQMD of any changes in business name, address, phone number, or contact person within 10 business days of the change. Furthermore, the participant is required to inform the SMAQMD prior to any sale of funded equipment or change in ownership that would require a contract amendment. The participant will also be required to inform the SMAQMD of any problems or issues resulting in the failure to meet the performance requirements as soon as possible.

3.3.2 Reimbursement Procedures

The SECAT Program operates on a reimbursement basis. Participants must pay the full cost of the project up front before requesting reimbursement from SECAT. A reimbursement invoice will only be issued after an agreement has been executed, the vehicle or engine is replaced, and adequate dealership invoices for the purchase of the vehicle or equipment have been submitted to SMAQMD. The participant must submit a W-9 Data Form along with their signed funding agreements before the project can be funded. Invoices must include a copy of the final purchase order marked as final detailing the actual purchase price of the vehicle or emission control technology and cannot be processed until after inspection of the funded technology.

When combined with other grants, incentives, vouchers, or other direct public investments, the SECAT funding may be reduced to ensure that the program does not pay more than the full purchase price of each vehicle. Accordingly, staff may reduce the final reimbursement amount based on this review.

Participants must also submit a copy of either the final DMV Application for Registration of New Vehicle (REG 397) for new vehicles or the final DMV Report of Sale—Used Vehicle (REG 51) for used vehicles completed and signed by the dealer showing the lien holder information as reported for the sale. Payment will not be delivered to the participant until the final signed forms are received by the SMAQMD. Private party transactions not involving a dealer will require either a copy of the final vehicle title (if financed) or actual vehicle title (non-financed) to verify lien holder declarations prior to payment delivery. Participants who do not submit all requested invoice paperwork in a timely manner may have their agreements terminated resulting in no reimbursement for the replacement vehicle.

Reimbursement may take 60-90 days from the time the reimbursement invoice is received by project staff. Reimbursement checks will only be issued to the sole proprietor or other legal entity under agreement with the program. The SECAT Program is funded using federal CMAQ funding which requires processing and reimbursement by the California Department of Transportation and the Federal Highway Administration. **Prompt submittal of all required documentation is the best way to speed processing of the reimbursement check.**

Any funds issued through the SECAT Program may only be used to purchase the vehicle or equipment identified in the participant's contract. If any funds are used for vehicles or equipment that is not identified in the contract, the participant will be required to refund all incentive amounts. If a program participant wishes to change the vehicle or equipment to be funded, he or she may request a contract amendment. Any contract amendment must be approved in writing and the vehicle or equipment must meet all of the SECAT eligibility requirements.

3.4 Audit Procedures

At any time during the agreement term, SACOG or SMAQMD (or both) may conduct an audit of the participant's operations, including all paperwork documenting actual operation, to verify that the applicant is complying with all contract terms. Any audits will be conducted at a reasonable time and with reasonable notice to the participant.

3.5 Vehicle Dealerships

Local vehicle, engine, auction, and salvage yard dealerships play a vital role in the operation and success of the SECAT Program. The SECAT Program no longer approves specific dealerships, but interested Dealerships are encouraged to be trained by the staff of the SECAT Program. This will assist applicants in filling out the application, making sure all program requirements have been met, and advising applicants on the SECAT Program performance requirements as required in Section 5.

The SECAT Program allows Dealerships to deliver the truck to the Participant while the vehicle title is processed. This arrangement requires Dealerships to properly register the replacement vehicle with the correct lien holder and participant information. Final payment is made directly to the vehicle owner, so dealerships are encouraged to complete the vehicle transaction as soon as possible.

3.6 Community Air Protection

SACOG and the SMAQMD are committed to the goals of Community Air Protection under AB 617, SB 535, and AB 1550. CMAQ does not require that SECAT funds be spent in areas identified under these community programs, however SMAQMD does encourage applicants in those regions to apply for funding. Promoting zero and near-zero emission technologies in disadvantaged communities, low income communities, and communities experiencing high levels of local air pollutants. SECAT is designed to provide assistance to fleets in disadvantaged communities by combining state grants to help promote the technology.

3.7 Program Documentation

All forms used under the SECAT Program (i.e. applications, agreements, invoices) are subject to change at any time. Potential applicants or other interested parties may contact the SECAT Program to request sample copies of any forms at any time.

3.8 SECAT Interaction with ARB Rules & Regulations

The SECAT Program requires that applicants demonstrate that the purchase of the equipment on their application is not required for compliance with ARB Rules and Regulations. Applicants must submit a Reporting Status Certificate showing they registered their fleet with the ARB under the Truck & Bus Regulation (TBR) to prove compliance with the regulation. Applicants will be verified with the ARB and the local air district based on the physical address of the applicant for any outstanding air quality violations. All SECAT applicants must register their entire California fleet with the ARB prior to applying for funding, regardless of their compliance status.

All vehicles funded under the SECAT Program cannot be used for compliance with the Phase-In Option under the TBR and must be registered as operating under a funding agreement. Replacement vehicles will be eligible for compliance when the full performance obligations are met. Vehicles funded under the SECAT Program may be used towards Model Year Compliance options.

Applicants may also be subject to other rules, including but not limited to the Transit Bus Fleet Rule, Solid Waste Collection Vehicle Rule, or the Public Fleet Vehicle ATCM. Staff will evaluate each application to determine whether the proposed project is surplus to these regulations.

3.9 SECAT Guideline Revision Process

SECAT Program Guidelines may be periodically updated by the Chief Executive Officer of SACOG and the Executive Director of SMAQMD to make minor administrative changes, in consultation with the agencies' Legal Counsels, to fully implement the intent of the program. Material changes to the Guidelines must be approved by the SACOG and SMAQMD Boards of Directors.



4.0 DEALERSHIP AND SALVAGE YARD POLICIES AND PROCEDURES

4.1 General Information

Vehicle dealers and salvage yards are an important part of the SECAT Program. New vehicle dealers are responsible for providing zero and near-zero emission trucks meeting the needs of program participants. The salvage yards are responsible for ensuring proper destruction of the old vehicle. District reserves the right to specify the approved salvage yard for disposal. Because of their importance, the SECAT Program has special guidelines for both designed to preserve the integrity of the program and provide maximum emission reductions.

4.2 Vehicle Dealership Requirements

Vehicle dealerships are a key partner in the SECAT Program because they help market, qualify, and facilitate Fleet Modernization projects. Representatives of the dealership will often meet with potential applicants and provide information about SECAT and the process. They are also suppliers of new vehicles and engine technology and have the most knowledge about what is appropriate for each applicant. Because of this responsibility, the SECAT Program works closely with many dealerships to ensure that they are eligible to market their equipment and services to applicants.

Participants are not required to purchase technology from a specific Vehicle Dealership, but working with a Vehicle Dealership may benefit applicants. Also, if a participant does not use an Approved Vehicle Dealership, the SECAT Program will not deliver the incentive funds until SMAQMD has received the vehicle title (or a copy from the Finance/Lease Company) listing SMAQMD as a lien holder. Vehicle Dealerships are also allowed to handle the paperwork and are trained to handle any potential issues with the application process.

4.3 Auction Facility and Salvage Yard Requirements

Approved Auction Facilities and Salvage Yards under the SECAT Program are responsible for destroying the old vehicle in an environmentally responsible manner to permanently remove the vehicle from operation. Because of the special requirements, Approved Auction Facilities and Salvage Yards must be under a Master Agreement with the SECAT Program. All vehicles funded under the SECAT Program must be destroyed by an Approved Auction Facility or Salvage Yard, unless SMAQMD approves an alternative disposal method that ensures emission reductions.

To become an Approved Auction Facility or Salvage Yard, they must meet the following requirements:

- Owner possesses a current, valid auto dismantler's license issued by the California Department of Motor Vehicles.
- Owner possesses a current, valid Hazardous Material Generator and Storage Permit issued by the California Environmental Protection Agency.
- Owner has a current, approved State of California Storm Water Pollution Control Plan.
- Owner has had a valid California business license for a minimum of the last two years.
- A minimum of one (1) employee has been trained by the District regarding the SECAT Program.
- Owner agrees to allow the District to inspect vehicles covered under this agreement during normal business hours.

Approved Auction Facilities and Salvage Yards must agree to:

- Complete the vehicle destruction within 45 days of the date the salvage yard received the vehicle. Destruction must comply with the SECAT Program Policies and Guidelines and include: (1) cutting a non-symmetrical, jagged-edged hole in the engine block that is at least three inches in diameter, (2) making an additional cut from the engine hole down through the flange where the oil pan attaches, and (3) cutting the frame rails completely through in half between the cab and rear axle.
- Surrender the certificate of title to the DMV by submitting a *Report of Vehicle to be Dismantled* and register the vehicle as non-repairable – where the Vehicle Identification Number (VIN) can no longer be registered or titled. All forms required by DMV to render the vehicle as non-repairable must be filed by the owner or salvage operator. A DMV receipt, such as a DMV reconciliation report, or non-repairable certificate verifying the vehicle can no longer be registered or titled must be made available to District staff at the time of the salvage inspection.

4.4 Program Disclaimer

The SECAT Program does not review the operations or reach any conclusions regarding the quality of the product or service of Vehicle Dealerships and Approved Auction Facilities or Salvage Yards. The participant is solely responsible for the quality and performance of the low emission vehicle and/or engine technology funded under the SECAT Program and may not hold the SECAT Program liable for any issues encountered with Vehicle Dealerships and Approved Auction Facilities or Salvage Yards.



5.0 FLEET MODERNIZATION PROGRAM POLICIES AND GUIDELINES

The following are the policies and guidelines specific to the Fleet Modernization option under the SECAT Program.

The Fleet Modernization Program provides incentives to reduce emissions by replacing older vehicles with newer, lower-emission vehicles. In place since 2002, this program has been the most popular option to reduce emissions for owners operating older, higher polluting vehicles. With the help of participating engine dealerships, vehicle dealerships, auction facilities, and salvage yards, more than 1,000 old vehicles have been replaced with newer, lower-emission vehicles. A list of participating dealerships can be found on the SECAT website at www.4secat.com.

All applicants must meet the requirements and follow all of the policies and guidelines in order to be approved for funding under the SECAT Program. Vehicle dealerships are specifically trained on the provisions of the SECAT Program and can help participants throughout the application process. Please contact program staff or participating vehicle dealerships with any questions during the application process.

5.1 Participant Requirements

The following is a summary of the requirements that must be met prior to approval of a submitted application. If any information is missing or an applicant does not qualify for the program, the application will be mailed back to the applicant. For clean combustion vehicle purchases, the old vehicle must meet one of the requirements between items one through five, and meet both items six and seven below:

1. Any heavy-duty vehicle (GVWR greater than 14,001 lbs.) equipped with a 2009 or older engine that operates on a fuel other than diesel fuel
2. Any heavier heavy-duty vehicle (GVWR over 26,000 lbs.) equipped with a diesel particulate filter (if diesel-fueled) with a 2009 or older model year engine
3. All lighter heavy-duty vehicles (GVWR between 14,001-26,000 lbs.) with a 1999-2009 model year engine (if diesel-fueled)
4. Registered Limited Mileage Agricultural Trucks (AG) with any engine if part of a 2-for-1 project
5. Heavy-duty vehicles compliant with other ARB regulations (e.g. Public Fleets, Solid Waste Collection Vehicles, Transit Fleet Rules) with a 2009 or older model year engine
6. Old vehicle must still be operating on at least a part-time or seasonal basis defined as being registered with the DMV for on-road operation at an address located within the SACOG region at least 3 months per 12-month period
7. Old vehicle must be turned for disposal in the same condition that it was in at the time of the pre-inspection (see Section 5.4)

To encourage the adoption of zero emission technology, participants purchasing zero emission vehicles do not need to identify an old vehicle to qualify for funding nor do they need to destroy an old vehicle. This also allows fleets to retain their existing vehicles as a backup in case the new technology has unexpected downtime or occasional long range use.

5.2 Application Requirements

The following items must accompany the completed original application at time of submittal. **FAXED OR COPIED APPLICATIONS ARE NOT ACCEPTED.**

- Signed and dated application
- Signed and dated W-9 Form
- Copy of the Applicant's Driver's License or other Photo ID Card
- Copy of old vehicle title showing no lien holders
- Vehicle Registration Information Record from the DMV showing vehicle registration history for the previous 24 months or last 8 vehicle registration transactions
- Usage verification for previous 24 months (i.e. maintenance records, fuel receipts, mileage log books, job invoices, etc.)
 - Fuel records must include a vehicle identifier
 - If verification is not provided, applicant may opt into tracking mileage for 3 to 12 months based on estimated historic mileage on a case-by-case basis as approved by a project manager – FUNDS ARE NOT AVAILABLE UNTIL AFTER THE TRACKING PERIOD
- Proof of vehicle insurance for previous 24 months
- Replacement vehicle specifications and cost quote including the following information:
 - Replacement vehicle GVWR
 - Emission Family Number or engine information sufficient to determine emissions

5.3 Application Evaluation

SMAQMD will use its best efforts to evaluate applications in a timely manner. Staff may request additional information of the applicant and can deny the application if the requested information is not provided. Incomplete and illegible applications will be returned to the applicant or the vendor. If the applicant does not respond within 30 days, the application will be automatically terminated and the application process will have to be reinitiated in order for the project to be reconsidered.

The SECAT Program now evaluates applications based on two main criteria. All old vehicles must show registration within the SACOG region for at least 24 months prior to the application date. Vehicles with a pattern of seasonal registrations will qualify if the vehicle is registered for at least 3 months in each previous 12 months with each 12-month period having similar months of registration data. Staff will determine the location using the address on the vehicle registration documentation. Applications will also be evaluated to determine if the vehicle meets the minimum annual mileage requirements or equivalent as approved by the SMAQMD depending on the vocation of the vehicle for funding as shown in Section 5.6. This evaluation is done based on the historic usage documents submitted with the application, inspection records, and other documents requested by staff.

Staff will also review all documentation submitted with the application and inspection reports to determine if the vehicle meets all the eligibility requirements outlined in these guidelines. Applicants are required to ensure that all contact information listed in their application is current in case staff needs to contact the applicant about missing or incomplete information. Applicants may be given an opportunity to provide additional documentation to assist the evaluation.

After evaluating the application, staff will conduct a Pre-Inspection of the old vehicle. The old vehicle will be inspected to determine the condition of the vehicle. The vehicles will be reinspected immediately prior to salvaging, and if the condition of the vehicle has changed, SMAQMD may withhold payment until the vehicle is restored to the condition documented during the Pre-Inspection (see Section 5.4).

5.4 Old Vehicle Disposal Requirements

Projects purchasing zero emission vehicles are not subject to the requirements of Section 5.4. All other projects are subject to this section.

5.4.1 Requirements for Turning in Old Vehicle

The applicant must agree NOT to remove or replace the tires, rims, seats, fifth wheel, engine parts, hood, fenders, fuel tanks, horn, exhaust pipes, mirrors, grill, cab air shield, or any other accessory or item on the vehicles between the Pre-Inspection and the date of the Pre-Salvage inspection. Truck bodies must either be fully transferred to the replacement vehicle or turned in with the old vehicle to the Approved Auction Facility or Salvage Yard.

At the time of the Pre-Salvage inspection and when the vehicle is turned over to the SECAT Approved Salvage Yard for salvage, the vehicle must be in operational condition, all tires must be road worthy and the vehicle must be able to pass a California Highway Patrol Inspection (see sections 27452 and 27465 of the California Vehicle Code listed below).

These items, at minimum, cannot be removed or replaced after the Pre-inspection:

- Hood
- Fuel tanks
- Tire rims
- Horns
- Chrome exhaust pipes
- Mirrors
- Grill
- Seats
- Air shield on top of cab
- 5th wheel
- Any parts that would hinder vehicle operation

The SECAT Program staff may approve special requests for retaining equipment such as tool boxes or specialty parts required for current work on a case-by-case basis and will only consider approving requests received in writing prior to purchasing the replacement vehicle. All vehicles must be delivered for destruction in the same operating condition as observed at Pre-Inspection.

California Vehicle Code

Section 27452

The required thickness of rubber shall extend evenly around the entire periphery of the tire. The entire solid tire shall be securely attached to the channel base and shall be without flat spots or bumpy rubber.

Section 27465

(a) No dealer or person holding a retail seller's permit shall sell, offer for sale, expose for sale, or install on a vehicle axle for use on a highway, a pneumatic tire when the tire has less than the tread depth specified in subdivision (b). This subdivision does not apply to any person who installs on a vehicle, as part of an emergency service rendered to a disabled vehicle upon a highway, a spare tire with the disabled vehicle was equipped

(b) No person shall use on a highway a pneumatic tire on a vehicle axle when the tire has less than the following tread depth, except when temporarily installed on a disabled vehicle as specified in subdivision (a):

(1) One thirty-second ($1/32$) of an inch of tread depth in any two adjacent grooves at any location of the tire, except as provided in paragraphs (2) and (3).

(2) Four thirty-second ($4/32$) of an inch tread depth at all points in all major grooves on a tire on the steering axle of any motor vehicle specified in Section 34500, and two thirty-second ($2/32$) of an inch tread depth at all points in all major grooves on all other tires on the axles of these vehicles.

5.4.2 Old Vehicle Disposal Procedure

The SECAT Program has changed the method in which old trucks are destroyed and disposed for funding purposes. The Sacramento Metropolitan AQMD and Sacramento Area Council of Governments will now use Auction Yards to auction the old trucks and retain the scrap value of the equipment. In limited cases, the SECAT Program may authorize the participant to retain the scrap value of their equipment, but most participants will release their interest in the scrap value in exchange for receiving an incentive. This section describes the new process.

When the replacement truck is delivered and ready for inspection, the SECAT Participant will contact their Project Manager to request only the inspection of the replacement truck. The Participant will no longer deliver the old truck to the truck dealership. Once the replacement truck is inspected and approved for payment, an inspector will contact the Participant to confirm which auction facility or salvage yard will be used.

For trucks that require a body transfer, the Participant must wait to request a Post Inspection until the body is fully transferred to the replacement vehicle. If desired, the Participant or their designee can contact us to confirm if the replacement vehicle GVWR and Engine Family Number meet the contract requirements. Once the replacement vehicle is inspected and approved, an inspector will contact the Participant at a later date to coordinate the disposal of the old vehicle.

Inspectors will attempt to contact the Participant to coordinate the inspections using the email address and phone number provided in the application. Please contact the appropriate Project Manager if the contact information needs to be changed.

In all cases, the Participant remains the legal owner of the old vehicle until it is delivered to an approved auction facility or salvage yard at the direction of a Sacramento Metropolitan AQMD inspector. The SECAT Program will retain all proceeds from the sale of the destroyed old vehicle as a condition of receiving funding under the program.

Inspectors will coordinate with approved entities to ensure that the old vehicles are destroyed according to the SECAT Program guidelines and that all proper paperwork is correctly filed.

5.5 Replacement Vehicle Requirements

The applicant must submit a vehicle information form and ensure that the replacement truck meets the following requirements:

- **All replacement vehicles are required to comply with heavy-duty vehicle emission standards as defined below:**
 - Replacement vehicles equipped with a heavy-duty engine certified to the CARB Optional Low NOx Standards or either 0.10, 0.05, or 0.02 g/bhp-hr NOx under the FTP STD according to the most recent CARB Executive Order; or
 - Replacement vehicles eligible for funding under the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project; or
 - All vehicles with zero tailpipe emissions including battery-electric and fuel cell powertrains
- **System Modifications:** Modifications to the following are not allowed: engine performance characteristics (including changes in horsepower), emission characteristics, engine emission components (not including repairs with like original equipment manufacturer replacement parts) or any other modifications that cause the engine's emission control system to be modified.
- **Truck Weight Requirements:** Replacement vehicles must have a Gross Vehicle Weight Rating over 14,000 pounds.
- **Truck Axle and Body Configuration Requirements:** The replacement vehicle may have a different axle and/or body configuration than the old vehicle as long as the replacement vehicle will have the same usage as the old vehicle through the contract term.
- **SECAT Program Decals:** Two SECAT Program decals will be placed on each side of the new vehicle by District staff. These decals must be easily viewed by the public and remain on the vehicle during the life of the contract.
- **Replacement Vehicle Delivery Deadline:** Participants are required to purchase and begin operating the replacement vehicle within 180 days of contract execution. Upon execution, participants must order the vehicle within 45 days to ensure compliance with this requirement. Proof of vehicle order, including build sheets and purchase orders, must be submitted to show a good faith effort to meet the deadline. Delays outside the participant's control (e.g. production delays, factory issues) will generally be approved as long as the vehicle was ordered as soon as possible after contract execution.
- **Vehicle Lease Option:** Applicants may choose to lease the replacement vehicle instead of a traditional cash or loan purchase. All leases must be from an approved Leasing Company under agreement with the SMAQMD. Vehicle leases must have a term greater than or equal to the total length of the SECAT agreement. Applicants are required to submit the lease documents to the SMAQMD for approval. The SECAT Program will not pay more than the total cost of the lease including all other sources of funding. **Applicants are required to meet the full contracted usage even if the vehicle is released after the lease expires.**

- **Pictures of the new vehicle:** District staff or a participating dealership will take pictures of the new vehicle prior to delivery to the applicant. Pictures taken by the participating dealership must be submitted in digital format, and must show:
 - Front, rear, right and left sides of vehicle – hood down
 - Vehicle Identification Number – tag inside cab and on vehicle frame (if available)
 - Vehicle Model year – tag inside cab
 - Manufacturer Gross Vehicular Weight Rating
 - Combined Gross Weight (DMV Sticker) – (if applicable)
 - Odometer and hour meter reading
 - Vehicle and engine date of manufacture
 - Vehicle license plate (if applicable)
 - Engine – right and left sides
 - Engine model year – tag on engine
 - Engine emission family number – tag on engine
 - Engine serial number – tag on engine
 - Engine horsepower – tag on engine
 - Emission certification – tag on engine
 - Electronic Monitoring Unit (if applicable)
 - Emission control device
 - Emission control device serial number (if applicable)
 - Additional modifications/body
 - SECAT Program decals applied to the vehicle body
 - Drayage Truck Registry label (if applicable)
 - Other identification labels (if applicable)

5.6 Funding Amounts

The SECAT Program will reimburse the participant for eligible costs under Fleet Modernization according to the following table:

Vehicle Type	Minimum Annual Mileage	Emission & Fuel	Funding Amount
All Vehicle with GVWR over 14,001 lbs.	Exempt	Zero Emission Vehicle	\$100,000
All Vehicles with GVWR over 26,000 lbs.	20,000 miles per year*	Low NOx Propane or HVIP Approved Diesel Hybrid	\$20,000
		Low NOx Natural Gas	\$60,000
All Vehicles with GVWR 14,001 – 26,000 lbs.	10,000 miles per year*	Low NOx Propane or HVIP Approved Diesel Hybrid	\$20,000
		Low NOx Natural Gas	\$60,000
All School Buses	5,000 miles per year*	Low NOx Propane or HVIP Approved Diesel Hybrid	\$20,000
		Low NOx Natural Gas	\$60,000

* Or Mileage Equivalent

Actual reimbursement may be lower in cases where the SECAT award would exceed the participant's total cost including other funding programs including, but not limited to, the HVIP. Staff will review each invoice to determine maximum funding which may be lower than the above listed amounts.

5.7 Legal Ownership of the Replacement Vehicle

The participant must own and operate the replacement vehicle or engine. The participant may obtain financing to assist in the purchase. The SECAT Program requires that the SMAQMD be added as a lien holder on the title of the replacement vehicle throughout the term of the agreement. If the participant is not financing or leasing the replacement vehicle, then they must provide proof by submitting the replacement vehicle title via DMV and invoice documents listing the lien holder(s) on the replacement vehicle.

SMAQMD should be listed on the vehicle title as follows:

SMAQMD
777 12th Street, 3rd Floor
Sacramento, CA 95814

If the participant uses either a Finance Company or Leasing Company to provide their cost share to purchase the replacement vehicle, the Finance/Leasing Company must agree to list SMAQMD as a lien holder on the vehicle title. A copy of the replacement vehicle title must be provided to the SMAQMD. Invoice documents listing the lien holder(s), along with a copy of the DMV paperwork submitted by the dealer showing the Registered and Legal Owner(s) of the vehicle will allow the SECAT Program to begin processing the reimbursement request providing program requirements are met. The SECAT Program will allow most types of vehicle financing and leasing, however, specific parties should contact the SMAQMD to determine if their program is eligible. A Memorandum of Understanding between the Finance/Leasing Company and the SMAQMD is available to define the relationship between the two parties.

When a vehicle is co-funded with SECAT and a Finance Company or Leasing Company, the lien must be listed as follows:

“Name of Finance/Leasing Company” & SMAQMD
“Finance/Leasing Company Address”
“Finance/Leasing Company City, State ZIP”

The lien must be written out so the “& SMAQMD” characters are visible as lien holders on the paper title. This may require the Finance/Leasing Company's name be truncated or initials to allow room for the additional lien holders to be listed. An ampersand (&) or “and” must be used to indicate that all parties need to release the lien on the vehicle for all transactions.

5.8 Certificate of Existing Vehicle Acceptance and Salvage

Projects purchasing zero emission vehicles are not subject to the requirements of Section 5.8. All other projects are subject to this section.

The old vehicle must be turned in to a District-approved auction facility or salvage yard within 30 days of a successful Post Inspection of the new vehicle. The old vehicle must be in the same operating condition

as it was during the first inspection (see section 5.4). If the truck is stripped, parts are taken off, or the tires are found not to be road worthy, the applicant will be in breach of the contract and will either be required to reinstall all missing or defective parts to the participating salvage yards or repay the total incentive amount. The “Old Truck Delivery to Dismantler Certification” document that verifies the existing (old) truck has been picked up by an approved auction yard or salvage yard must be signed by authorized personnel at the time the (old) vehicle is turned in. The signed certificate must be either hand-delivered or mailed to the District before payment for the replacement vehicle will be released.

The auction yard or salvage yard has 45 days to destroy the truck by (1) cutting a non-symmetrical, jagged-edged hole in the engine block that is at least three inches in diameter, (2) making an additional cut from the engine hole down through the flange where the oil pan attaches, and (3) cutting the frame rails completely through in half between the cab and rear axle. District staff or a certified auction yard or salvage yard must take pictures of the destroyed vehicle within 60 days of delivery. The vehicle title must be registered with DMV as a non-repairable vehicle so that the VIN number can no longer be registered or titled for operation in California. A *Non-Repairable Vehicle Notice* or a *Report of Vehicle to be Dismantled* must be filed by the owner, auction yard, or salvage yard. A DMV receipt, such as a DMV reconciliation report, or non-repairable certificate verifying the vehicle can no longer be registered or titled must be made available to District staff at the time of the salvage inspection.

Pictures of the vehicle must include the following:

- Front angle of vehicle
- Vehicle Identification Number (VIN)
- License plate
- Engine
- Engine serial number on tag or stamped on block
- Hole in engine
- Frame rails cut into two pieces

5.9 Performance Requirements and Contractual Obligations of the Participant

All participants in the Fleet Modernization Program will be required to agree to the following terms. These requirements are in addition to the requirements in the general guidelines. If these provisions conflict with the general requirements, these requirements will control.

- The participant must agree to operate the replacement vehicle for three (3) years in the SACOG region in a manner consistent with the old vehicle.
- The participant cannot sell or otherwise encumber the replacement vehicle without written authorization from the SECAT Program.
- The replacement vehicle may operate outside the SACOG region and outside the State of California; however, the participant is responsible for maximizing SACOG region usage as much as feasible.
- If staff determines that the vehicle has not been operated in the SACOG region or has been inoperable for any year under the agreement, the SMAQMD may terminate the agreement and demand reimbursement of funds.

- Vehicles may be transferred to another party if the new owner is willing to assume the funding agreement and operate the vehicle in a similar manner. Participants may also buy out their contract with a pro-rated reimbursement.
- If there is a significant event for the participant – including, but not limited to bankruptcy, sale of business, or contact information change – the participant must notify the SECAT Program.
- If the replacement vehicle is involved in an accident, the applicant will need to report the accident to program staff within 10 business days. The applicant will be required to provide a police report of the accident, a letter from the insurance company regarding the accident, and any additional information requested by SMAQMD. Down time due to an accident will be credited toward the performance requirements as long as the information is reported as requested and the participant repairs the vehicle as soon as possible. The participant will be required to repair the vehicle and return it to operation if possible. If the vehicle is totaled, SMAQMD may demand repayment of a pro-rated portion of the incentive funds.
- If the applicant chooses the option to reduce annual mileage on existing school buses in their fleet in addition to scrapping school buses, their performance requirements will include both a maximum annual mileage for school buses identified in their application as able to accept a



limited annual mileage equal to the annual mileage of the scrap school buses and a minimum annual mileage for the replacement school buses equal to the historic annual mileage of the proposed limited mileage school buses subject to the maximum annual mileage requirement described in this paragraph