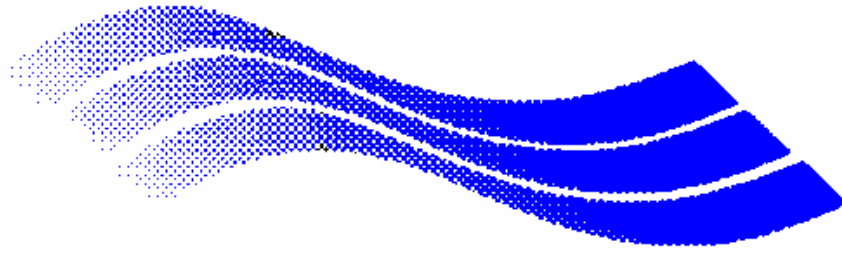


SACRAMENTO METROPOLITAN



AIR QUALITY
MANAGEMENT DISTRICT

Heavy-Duty Low Emission Vehicle Incentive Program

On-Road Fleet Modernization Option Guidelines and Procedures Manual

June 1, 2006





The Sacramento Metropolitan Air Quality Management operates the Heavy-Duty Low Emission Vehicle Incentive Program using funding from the Carl Moyer Memorial Air Quality Standards Attainment Program, which is approved by the California Air Resources Board to allocate Carl Moyer Program funding in accordance with the California Health & Safety Code and all approved Carl Moyer Program guidelines.

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SECTION I – EXECUTIVE SUMMARY

The Sacramento Federal Nonattainment Area (SFNA) is classified as Nonattainment by the United States Environmental Protection Agency for the federal 8-hour ozone standard and consists of Sacramento & Yolo Counties, Placer & El Dorado Counties (excluding the Lake Tahoe basin), southern Sutter County, and northeastern Solano County. In addition, the SFNA is also impacted by exposure to harmful particulate matter and toxic air contaminants, especially those emitted by diesel engines. The Sacramento Metropolitan Air Quality Management District (SMAQMD) relies on state and federal regulations for mobile sources and District rules to reduce emissions from stationary and mobile sources of pollution.

In the Sacramento region, about 70% of our smog-forming emissions come from mobile sources including cars, trucks, trains, boats, and other self-propelled on & off-road equipment. Advanced vehicle & engine technology has reduced pollution by over 90% from new equipment, but many engines will remain polluting for a very long time. Because of this, the SMAQMD established an incentive program in 1996 to help offset the cost of replacing older, dirtier engines with newer, cleaner replacements. This program evolved into the Heavy-Duty Low Emission Vehicle Incentive Program which is designed to accelerate the use of new low emission vehicle and engine technology used in mobile sources in the SFNA.

Beginning in 2002, the SMAQMD in conjunction with the Sacramento Area Council of Governments (SACOG) began the first Fleet Modernization program in the country using funding from the Sacramento Emergency Clean Air Transportation (SECAT) program. This popular program used incentives to replace the entire heavy-duty diesel truck instead of only the engine. Past experience showed that the lifespan of a repowered truck was very short and that fleet participation was low due to little perceived value in the project.

Applying the incentive towards buying a new truck was more successful from an engineering and fleet owner perspective. New diesel engines incorporating exhaust gas recirculation, diesel particulate filters, and advanced systems will eliminate repowers as an option making complete replacement essential to advance these technologies.

The SMAQMD and SACOG have funded about \$14 million toward the purchase of over 400 trucks under Fleet Modernization and have served as resources and models for similar programs in California and beyond. These cleaner trucks have reduced NOx and PM10 emission by over 260 tons/yr and 40 tons/yr respectively in Sacramento.

After the passage of AB 1394 in 2004, the Carl Moyer Program was opened up to on-road Fleet Modernization projects expanding its success statewide. SMAQMD staff worked closely with the California Air Resources Board to incorporate Fleet Modernization into the Carl Moyer Program. These guidelines are designed to create an on-road Fleet Modernization program that complies with the Carl Moyer Program in the Sacramento region.

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SECTION II – INTRODUCTION / BACKGROUND

Purpose of the Fleet Modernization Program

Although air quality in the Sacramento Ozone Non-Attainment Region (Sacramento Region) has improved significantly over the last 10 years, we continue to experience violations of the federal 8-hour ozone standard. Most of the pollution is created by mobile sources, including automobiles and heavy-duty vehicles. Over 30% of NOx emissions from mobile sources come from heavy-duty vehicles.

The Sacramento region has been classified as serious nonattainment of the federal 8-hour ozone standard with an attainment deadline of 2013. Regional reductions of NOx emissions, especially those from heavy-duty vehicles, are necessary to meet this standard and achieve needed reductions in the State Implementation Plan.

The following policies and guidelines in this document include minimum qualifications for a vehicle to enter the Fleet Modernization Program, the responsibilities of vehicle owners, the vehicle dealerships, engine dealerships, salvage yards, the Sacramento Metropolitan Air Quality Management District (SMAQMD) and how funding amounts are determined.

The Sacramento Metropolitan Air Quality Management District (SMAQMD)

The SMAQMD is 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 the Sacramento region. SMAQMD alone cannot achieve healthy air for Sacramento; 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.

SMAQMD is governed by a nine-member Board of Directors comprised of the members of the Sacramento County Board of Supervisors, selected members of the Sacramento City Council, and one member representing the cities of Folsom, Isleton, and Galt. The Board reviews and approves all AQMD rules, programs, policies and budgets.

SMAQMD represents the other air districts in the Sacramento region in implementing the Heavy-Duty Low Emission Vehicle Incentive Program. These air districts include the Yolo-Solano Air Quality Management District, the Placer County Air Pollution Control District, and the El Dorado County Air Pollution Control District. Each air district has played an important role in our ongoing efforts to improve air quality in the region.

The Sacramento Region – Sacramento Federal Ozone Non-Attainment Area

The Sacramento region is commonly known as the Sacramento Federal Ozone Non-Attainment Area (see Appendix A for a map). This area is comprised of five Air Districts covering all or parts of six counties. This region is designated non-attainment by the federal government under the federal Clean Air Act because it does not meet the National Ambient Air Quality Standards (NAAQS) for ozone. The Sacramento region has been classified as “serious” for the federal 8-hour ozone standard with an attainment date of 2013. The Fleet Modernization Program is one of many programs in place to help reduce emissions to make the air healthier to breathe.

How to Contact Us / Application Mailing Address

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

Website: WWW.AIRQUALITY.ORG

Program Staff:

Steffani Lange	(916) 874-6361	slange@airquality.org
Jeff Weiss	(916) 874-6356	jweiss@airquality.org
Gary Bailey	(916) 874-4893	gbailey@airquality.org
Kristian Damkier	(916) 874-4892	kdamkier@airquality.org
Freya Arick	(916) 874-4891	farick@airquality.org
Sam Gregor	(916) 874-4890	sgregor@airquality.org
Jerry Grauman	(916) 874-4889	ggrauman@airquality.org

Program Coordinator:

Mike Neuenburg	(916) 874-1676	Mneuenburg@airquality.org
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Mailing Address for Applications:

HD Incentive Program, Application for Funding
SMAQMD
777 12th St., 3rd Floor
Sacramento, CA 95814-1908

Applicants can also go directly to local participating truck and engine dealerships. Participating dealerships have been trained to help truck owners understand all of the program requirements for completing applications and being approved for funding in the Fleet Modernization Program. All applications must be returned signed and dated in its original format in either blue or black ink. Any application that is not signed or dated will be returned. Faxes WILL NOT be accepted.

SECTION III – GENERAL PROGRAM POLICIES AND GUIDELINES

General Eligibility

1) Who is eligible to participate?

Any individual, company, or public agency may apply to receive an incentive. If the applicant does not itself own or control the vehicles in question, the application must include a satisfactory, binding contract with the person(s) or organization(s) that do own or control those vehicles. This contract must commit the owner/controller of the vehicles to carry out the actions described in the proposal.

2) Who is not eligible to participate?

Any applicant applying for funds for purchases or retrofits 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. Fleets with policies encouraging the purchase of low emission vehicles are eligible for funding, unless the emission reductions are not surplus.

3) What type of vehicle is eligible?

Projects must reduce emissions from on-road heavy-duty vehicles in the Sacramento 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 33,000 pounds [Class 8] Gross Vehicle Weight Rating (GVWR). The SMAQMD may approve other weight classes on a case-by-case basis – such as applications including both Class 8 and smaller vehicles – pending approval by the California Air Resources Board.

4) What are the restrictions on emissions averaging, banking and trading?

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

Application & Evaluation Procedures

1) Application Procedures

Please follow all of the application procedures. Any applications not fully completed or that did not follow the application procedures will be returned to the applicant.

(a) Fill out and sign the “Sacramento Metropolitan Air Quality Management District Heavy-Duty Low-Emission Vehicle Incentive Programs – On-Road and Off-Road

Application Form” (see Appendix C). The application can be downloaded from the SMAQMD website or can be ordered by calling one of the program staff at their numbers or sending a request via e-mail to their e-mail addresses.

(b) Fill in a “Vehicle Information Form” for each vehicle that you want to replace.

(c) Submit the forms and any additional documentation as required under the Fleet Modernization Guidelines. Each specific project may require different paperwork. Contact project staff if there are any questions with regard to additional documentation.

(d) The application will be reviewed within 3-5 business days of receipt to determine if all the required information has been provided and that all 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 SMAQMD reserves the right to request additional information and can deny the application if such requested information is not provided.

2) Evaluation Procedures

Applications will be evaluated on a first-come, first served-basis. Complete applications will be evaluated using the 2005 Carl Moyer Program Guidelines to determine the NOx, ROG, and PM10 emission reductions and the cost-effectiveness on a per-vehicle and overall project cost basis.

$$\text{C.E.} = \frac{[\text{Project Cost}] * [\text{Capitol Recovery Factor}] * [907,200]}{([\text{Old Emission Factor}] - [\text{New Emission Factor}]) * [\text{Annual Mileage}]}$$

Project staff will determine the incentive amount to be offered to the approved applicants, and forward a contract to the applicant. The Fleet Modernization Program has a limit of \$14,300 per weighted ton (NOx+ROG+20*PM10) cost effectiveness. No funds will be disbursed until a contract has been fully executed by the SMAQMD.

Applications will be accepted for all vehicle vocations. All vocations will be subject to a three (3) year project life according to Carl Moyer Program guidelines, except for certain targeted vocations. Targeted vocations are eligible for a five (5) year project life, but may choose a three year life if desired. These targeted vocations include agriculture, construction & mining, forestry applications, public fleets from low population counties, and vehicles used in port hauling or used to move goods in and out of ports and rail yards. A maximum of five (5) vehicles will be approved for each fleet based on their California Motor Carrier Permit Number, except for fleets in targeted vocations. Targeted vocations have no restrictions on the maximum number of approved vehicles.

All applications and vehicles are subject to a compliance check prior to approval. Participants must be in compliance with all mobile source air quality laws and regulations – including no outstanding citations or penalties – to qualify for funding.

Program Requirements & Reimbursement Procedures

Following application approval, each participant will be required to enter into a funding agreement with the SMAQMD. The applicant should review the agreement carefully so that the terms and obligations are clearly understood. The following is a brief summary of the program requirements.

1) Program Requirements

(a) Participation in the Fleet Modernization Program will require a minimum three (3) year commitment to operate in the Sacramento region; targeted vocations can apply for a five (5) year commitment. Funding for the project will be issued at the beginning of this five year commitment, unless the participant is unable to list the SMAQMD as a lien holder on the replacement vehicle title as outlined on Page 19. If the participant cannot list the SMAQMD as a lien holder on the vehicle title, progress payments will be made according to the procedure outlined below:

Progress Payment 1	50% of total incentive	Paid on initial purchase
Progress Payment 2	25% of total incentive	Paid after 1-yr of performance
Progress Payment 3	25% of total incentive	Paid after 2-yr of performance

Throughout the contract period, the participant will be required to meet its performance requirements (miles per year) on an annual basis. The participant should contact the SMAQMD immediately if it knows or has reason to know that the performance requirements will not be met. Projects that fail to meet the agreed performance requirements may be required to refund some or all of the funds issued under the Fleet Modernization Program according to the following formula:

$$A = I * [(O * L) - C] / (O * L)$$

A	=	Amount Owed to the District
I	=	Total Incentive Award
O	=	Annual Operational Requirement (miles, hours or gallons)
L	=	Length of the Agreement in Years
C	=	Actual Operation (miles, hours, or gallons)

The APCO may, at his or her sole discretion, relieve this obligation to return the funds after considering the circumstances leading to the failure to fulfill the minimum performance requirements.

(b) Any emission reduction credits in the Sacramento region resulting from participating in the Fleet Modernization 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 anytime as a result of the project. The applicant will also agree not to apply to the SMAQMD, any other Air Quality Management District, Air Pollution Control District, or any other public or private entity for any such credits

based on reductions generated as a result of participating in the Fleet Modernization Program for operation in the Sacramento region.

(c) Participants are required to maintain liability and replacement value insurance coverage for the vehicle(s) participating in the Fleet Modernization Program (see Appendix B for insurance coverage requirements). Self-insurance can satisfy these requirements, but must be approved by staff prior to execution of the agreement.

(d) Participants will be required to document actual usage in the Sacramento region for each year of the agreement term (3-5 years). The Program will claim annual emission reductions that must be achieved based on the participant's projected usage in the Sacramento region. Participants will be required to submit reports on the actual usage at least two times per year. Projects that fail to meet the agreed performance requirements may be required to refund some or all of the funds issued under the Fleet Modernization 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 in the Sacramento region. Mileage logs may not be required with the installation of Electronic Monitoring Unit (EMU). The EMU will keep track of miles and hours operated in the Sacramento region using Global Positioning Systems (GPS) technologies. The EMU will not keep track of specific vehicle location or any other actual operation conditions.

When an approved EMU becomes available, all vehicles will be required to have an EMU installed prior to being released to the applicant unless otherwise instructed by staff. The costs of the EMU will be included in the total approved incentive amount. Once the EMU has been installed, the invoice for work must be submitted to the SMAQMD.

(e) The vocation that a vehicle is used in prior to the program must be the same vocation that the vehicle is used in throughout the agreement term, unless a change in vocation is requested and approved in writing prior to the change. If a change in vocation is made without staff approval, this may be considered a breach of the contract and may result in repayment of incentive funds.

(f) The applicant is required to inform the Fleet Modernization Program of any changes in address, phone number, or contact person within 10 business days of the change. The applicant will also be required to inform the Fleet Modernization Program of any problems or issues resulting in the failure to meet the performance requirements as soon as possible.

2) Reimbursement Procedures

A reimbursement invoice will only be issued after an agreement has been executed, the vehicle is replaced, and the dealership invoices for the purchase of the vehicle have been submitted to the Fleet Modernization Program. Reimbursement checks can be issued to either one party (the applicant) or to two parties (the applicant and the vehicle dealership). Reimbursement may take between 4-8 weeks from the time the invoice is received by project staff.

Any funds issued through the Fleet Modernization 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 to the Fleet Modernization Program. If a program participant wishes to change the vehicle or equipment to be funded, it may request a contract amendment. Any contract amendment must be approved in writing and the vehicle or equipment must meet all of the eligibility requirements.

Audit Procedures

At any time during the agreement term, SMAQMD or CARB may conduct an audit of the participant's operations to verify that the applicant is complying with the contract terms. Any audits will be conducted at a reasonable time and with reasonable notice to the participant. If the participant is not complying with the terms of the agreement, the applicant may be deemed in breach of the contract. If a participant cannot be reached because it relocated without notifying the District, then the applicant may be required to repay all or a portion of the funds to the Fleet Modernization Program.

Participating Dealerships

Local heavy-duty vehicle dealerships play a vital role in the operation and success of the Fleet Modernization Program. Dealerships who wish to become a "Participating Dealership" must be trained by the staff of the Fleet Modernization Program, and must be able to assist the applicants in filling out the application, making sure all program requirements have been met, and advise applicants on the Fleet Modernization Program performance requirements.

Each participating dealership must sign an agreement with the SMAQMD under the Fleet Modernization Program and must provide any information requested by the Program relating to an application or approved project. The SMAQMD will only recognize dealers approved under the SECAT Program for all Fleet Modernization projects. A sample dealer master agreement is included in Appendix E.

Participating Salvage Yards

Because the proper destruction of old vehicles is essential to the Fleet Modernization Program, all participating vehicles must be destroyed by a salvage yard approved by

the SMAQMD. Approved salvage yards are responsible for destroying the vehicle and engine according to these guidelines – including filing all paperwork with the Department of Motor Vehicles. All destructions must be in compliance with all federal, state, and local laws and regulations, including all environmental, hazardous waste, and disposal codes.

Each participating salvage yard must sign a master agreement with the Fleet Modernization Program and must provide any information requested by the Program relating to an application or approved project. The SMAQMD will only recognize salvage yards approved under the SECAT Program for all Fleet Modernization projects. A sample salvage yard master agreement is included in Appendix F.

Environmental Justice Policies

The SMAQMD is committed to accomplishing Environmental Justice goals through the Fleet Modernization program. The Fleet Modernization program has historically funded projects in the construction and agriculture industries which have a disproportional impact on communities of color and low income populations. The mobile nature of heavy-duty diesel vehicle projects also impact populations living near regional freeways and major thoroughfares. Reductions in regional ozone formation, fine particulate matter, and toxic air contaminants attained through the Fleet Modernization Program improve air quality and human health for all people in the Sacramento region.

The SMAQMD will make every effort to achieve Environmental Justice goals through the Fleet Modernization Program. Staff will provide outreach and give funding priority to applicants based or operating within Qualifying Areas as defined in Section 4.1.4 of the SMAQMD adopted “Guidelines for Implementing AB 1390 (Firebaugh) Requirements for the Carl Moyer Memorial Air Quality Incentive Program”. These guidelines are designed to meet the funding requirements under the Carl Moyer Program with regard to low income areas and communities of color. Applicants based in AB 1390 Qualifying Census Tracts are encouraged to apply for funding. Other applicants are also encouraged to apply, but may be denied depending on the number of AB 1390 qualifying projects already approved by the SMAQMD. Participating dealers and other stakeholders will also be informed of these objectives.

SECTION IV – FLEET MODERNIZATION PROGRAM POLICIES AND GUIDELINES

The following are the policies and guidelines specific to the Fleet Modernization option under the Heavy-Duty Low Emission Vehicle Incentive Program. Projects such as repowers, retrofits or any other emission reduction projects must comply with the general program policies and guidelines. Please contact SMAQMD staff with any questions on other options.

Fleet modernization is an option under the Heavy-Duty Low Emission Vehicle Incentive Program that provides incentives to reduce emissions by replacing older vehicles with newer, lower-emission vehicles. In place since 2002, the Fleet Modernization Program has been the most popular option to reduce emissions for owners operating older, higher polluting vehicles. With the help of participating engine dealerships, salvage yards, and vehicle dealerships, more than 300 old vehicles have been replaced with newer, lower-emission vehicles.

Incentives are provided to offset part of the costs of the newer, lower polluting vehicle(s). All applicants must meet the requirements and follow all of the policies and guidelines in order to be approved for funding under the Fleet Modernization Program. Vehicle dealerships are specifically trained on the provisions of the Fleet Modernization Program and can help participants throughout the application process. Please contact program staff or participating vehicle dealerships with any questions during the application process.

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.

- Old vehicle must be model year 1990 or older
- Old vehicle must have been owned and operated by the applicant within the Sacramento region for three (3) years
- Old vehicle must still be operating on at least a part-time or seasonal basis
- Old vehicle must be turned into the vehicle dealership in the same condition that it was in while it was operating (see section on Certificate requirements below for more information on old vehicle condition)

Application Requirements

The following items must accompany the completed application at time of submittal:

- Completed Application Received (Signed & Dated in Ink)
- County of Sacramento Payee Data Record (W-9 Waiver Form)
- Copy of California Motor Carrier Permit Application (3 Years) OR:
 - Copy of DMV Vehicle Registration (3 Years); and
 - Copy of Vehicle Insurance Card (3 Years)
- Copy of Old Vehicle Title
- Mileage Verification (3 Years) or Completed Tracking Period
 - Mileage verification must be sufficient to prove historical operation at the level shown in the application and can include log books, fuel receipts, maintenance records, job invoices, and other operational documents
- Certificate of Liability Insurance
 - Available from your insurance agent
- Proof of Vehicle Vocation
 - Proof of vehicle vocation can include job invoices, business documents and/or permits, and other information sufficient to prove vocation
- Diesel Emission Control System Information (if applicable)
 - Device Make, Model, ARB Executive Order Number
 - ARB Verification Level including NOx and PM Reduction Values

Application Evaluation

SMAQMD will use its best efforts to evaluate applications within 3-5 business days upon receipt at the SMAQMD. 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. An incomplete application is an application that is missing information critical to the evaluation of the project. 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.

After evaluating the application, staff will conduct an inspection of the old vehicle. All vehicles must be inspected by SMAQMD staff to verify the information provided in the application is correct.

Replacement Vehicle Requirements

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

(a) Model Year Requirements: All replacement vehicles must have a manufacture date of 2000 or newer. In addition, all engines in the replacement vehicles must have a manufacture date of 1999 or later.

(b) **Horsepower Requirements:** The horsepower of the old and replacement vehicles must be the same, unless the difference is approved by program staff, since engine horsepower is related to the emissions produced by a vehicle. Horsepower information should be available on the old engine tag. If the engine tag is missing, program staff may opt to determine the horsepower of the replacement vehicle, or may require the applicant to provide proof of horsepower through a chassis dynamometer test. The test must have been completed within 30 days prior to submitting the application.

The horsepower of the replacement vehicle will be based upon the following: (i) the old engine tag, or (ii) the test results of the dynamometer test which will take into account a 15% loss in actual horsepower based on transmission loss. In no case will staff approve a horsepower rating on the replacement vehicle that is more than 20% greater than on the old engine tag.

The horsepower of the engine can not be increased throughout the term of the agreement.

(c) **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. The installations of CARB Verified Diesel Emission Control Systems are exempt from this prohibition.

(d) **Truck Weight Requirements:** Heavy-duty trucks in the Fleet Modernization Program are split into two classes for emission purposes: under 33,000 lbs. GVWR and 33,001 lbs. and greater GVWR. The replacement vehicle must be in the same weight class as the old vehicle. Trucks under 33,000 lbs. may be approved on a case-by-case basis by the SMAQMD in consultation with the ARB.

(e) **Truck Axle and Body Configuration Requirements:** The replacement vehicle must have the same axle and body configuration as the old vehicle. Staff may allow slight changes based on the latest technology. Changes must be requested and approved prior to the purchase of the replacement vehicle.

(f) **Body Funding:** If funding is available, staff may approve additional funds to help offset the costs of purchasing a body for the replacement vehicle or transferring the original body to the replacement vehicle. Approvals will be based on necessity for the operation of the vehicle.

(g) **Engine Warranty Requirements:** All applicants must purchase a minimum of a 1-year / 100,000 mile major component engine warranty as part of the Fleet Modernization Program. Even though it is not a requirement, the Fleet Modernization Program suggests that the highest grade warranty be purchased in order to avoid any problems in the future. The Fleet Modernization Program is not responsible for any failure of the replacement vehicle, engine or any part, component or accessory. The

applicant takes sole responsibility for ensuring that the truck is in operational condition throughout the agreement period. No additional funds will be issued for maintenance or repairs related to the operation of the vehicle.

(h) ARB Verified Diesel Emission Control System (DECS): An ARB verified DECS is required on all replacement vehicles. In selecting the appropriate DECS for the project, preference shall be given to the DECS providing the highest level of NOx and PM reductions. The DECS must be installed prior to vehicle delivery to the participant and must stay in operation on the replacement vehicle for the project life. The cost of the device, and all filters and maintenance of the filters needed during the project life, may be paid for with incentive funding provided it meets the cost-effectiveness limit.

Upon approval of the ARB, the SMAQMD may waive the requirement for installation of the DECS. The waiver must be based upon the specifics of individual projects, including cost, vehicle duty cycle restrictions, availability, and other factors. Data-logging may be conducted on the old vehicle to determine the proper DECS device needed for the replacement vehicle. Data-logging, which is the collection of exhaust temperatures, must be conducted while a vehicle is in service. The information gathered from the old vehicle is applied to the replacement vehicle. Data-logging may be paid for with incentive funding, if it meets the cost-effectiveness limit. The participant must maintain the DECS as specified by the manufacturer's warranty requirements. The participant must provide maintenance reports to the district as required.

If an ARB-approved DECS is not available at the time the replacement vehicle is purchased, a DECS will be installed when a DECS compatible with the engine and the vehicle duty cycle has been verified by ARB, unless otherwise stipulated at the time of purchase by the SMAQMD. Vehicles outfitted with dual exhaust will be addressed on a case-by-case basis. The SMAQMD will determine if no DECS is required, or if a DECS shall be installed on both exhaust tailpipes, or if the exhaust shall be converted to a single pipe with a DECS.

(i) Pictures of the new vehicle: 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 (JPEG or GIF), and must clearly show:

- Front of vehicle with hood down (including license plate)
- Rear of vehicle including any attached truck body
- Right side of vehicle with hood down
- Left side of vehicle with hood down
- Vehicle Identification Number – tag inside cab and on frame rails
- Model year – tag inside cab
- Odometer & Hour Meter Reading
- Engine – left and right sides
- Engine Tag (including serial number, horsepower, and emission certification)
- Electronic Monitoring Unit (when installed)
- Diesel Emission Control System – serial number (if applicable)

Legal Ownership of the Replacement Vehicle

(a) Leased vehicles are not eligible: The participant must own and operate the replacement vehicle. The participant may obtain financing to assist in the purchase. Leased vehicles are not eligible for Fleet Modernization Program funds. This also includes purchase leases and lease-to-own options in which the participant is not the legal owner of the vehicle. Leasing companies that lease vehicles to others are likewise not eligible to receive Fleet Modernization Program funds. If it is unclear whether a vehicle is owned or leased by an applicant, the SMAQMD will determine whether the vehicle is eligible.

(b) Lien Holder Requirement: The Fleet Modernization Program requires that the Sacramento Metropolitan AQMD be added as the first lien-holder on the title of the replacement vehicle throughout the term of the agreement (3-5 years). This lien holder requirement is necessary to prevent unauthorized sale or transfer of the replacement vehicle. On the title, the SMAQMD should be listed as follows:

Sacramento Metropolitan Air Quality Management District (SMAQMD)
777 12th St., 3rd Floor
Sacramento, CA 95814
(916) 874-4800

(c) Finance Company MOU: Because listing the SMAQMD as a lien holder on replacement vehicles changes the relationship between the finance company and the participant, the SMAQMD has developed a sample Memorandum of Understanding between finance companies and the SMAQMD which defines the relationships under the Fleet Modernization Program. The MOU is not required to provide financing to participant vehicles, but it is available upon request to finance companies. A sample MOU is included in Appendix G.

(d) Vehicles Without SMAQMD Lien: In cases where the participant is unable to find a finance company willing to allow the SMAQMD as a lien holder on the replacement vehicle title, the SMAQMD may authorize progress payments and waive the lien holder requirement. Participants must receive SMAQMD approval for progress payments prior to project approval. Projects funded using progress payments will be invoiced according to the following schedule:

Progress Payment 1	50% of total incentive	Paid on initial purchase
Progress Payment 2	25% of total incentive	Paid after 1-yr of performance
Progress Payment 3	25% of total incentive	Paid after 2-yr of performance

Certificates of Compliance

The applicant must obtain certificates of compliance showing that all program requirements have been met. The following is the list of certificates with an explanation of how to ensure that all program requirements are met. Certificates should be turned into staff by participating vehicle dealerships and salvage yards no later than 30 days after the reimbursement check is issued.

(a) Certificate of Existing Vehicle Acceptance and Salvage: This certificate must be signed by both the vehicle dealership at the time the existing (old) vehicle is turned in to the dealer and by the salvage yard at the time the old vehicle is destroyed.

The old vehicle must be turned in to the dealership within 30 days of taking possession of the new vehicle. This allows the participant to continue operating the old vehicle until the new vehicle is ready to begin its work. The old vehicle must be in the same operating condition as it was during the first inspection. If the truck is stripped or parts are taken off, the applicant will be in breach of the contract and will either be required to reinstall all missing parts to the participating salvage yards or repay the total incentive amount. The dealership will then transfer the old vehicle to a participating salvage yard for destruction.

The salvage yard has 30 days to destroy the truck by cutting the frame rails and punching a hole in the engine block large enough to prevent repairs. The salvage yard must also take pictures of the destroyed vehicle and register the title with DMV as Non-Repairable Vehicle – where the VIN number can no longer be used. Non-Repairable Vehicle Notice must be filed by the owner/salvage yard within 30 days of delivery (the form can be found at http://www.dmv.ca.gov/forms/reg/reg480_eir.pdf). Pictures of the destroyed vehicle will be submitted to the SMAQMD and must include the following:

- Front of vehicle with hood down (including license plate)
- Rear of vehicle including any attached truck body
- Right side of vehicle with hood down
- Left side of vehicle with hood down
- Vehicle Identification Number (VIN) on tag inside of cab and on frame rail
- Odometer reading
- Engine – left and right sides
- Engine serial number on tag or stamped on block
- Hole in engine
- Frame rails cut into two pieces

(b) Certificate of Vehicle / Equipment Inspection Form: This certificate must be signed by SMAQMD staff after the inspection of the old and new vehicle and processed prior to payment. If SMAQMD staff is unable to inspect the vehicle(s), the SMAQMD in consultation with the ARB will designate another party to inspect the vehicle(s). This certificate provides verification of the old and new vehicles and equipment. Old vehicles must be inspected under normal operating conditions.

Performance Requirements / Contractual Obligations of the Participant

All participants in the Fleet Modernization Program will be required to agree to the following terms for a minimum of three years. These requirements are included with the requirements in the general guidelines.

(a) Vehicle Vocation: The replacement vehicle must operate in the same vocation(s) (i.e., used for the same purpose) for the life of the agreement and at least 85% of the time. If a change of vocation is required to stay in operation, a written explanation must be provided to the Fleet Modernization Program and approved by the SMAQMD in consultation with the ARB.

(b) Maximum Mileage Limits: The total accumulated mileage on the replacement vehicle can not be over 150% of the average historic mileage for the past two years. Exceptions to this must be submitted to and approved by the SMAQMD in consultation with the ARB. An example of an exception is if the economy allows for increased mileage but the vocation(s) of the vehicle must stay the same

(c) Accident Reports: 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 request by the 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, the participant and the Fleet Modernization Program staff will need to come to an agreement as to what, if any, performance requirements will still need to be met.

Tiered Transactions

Air districts have the option of approving “tiered transactions” under the Fleet Modernization Program. A tiered transaction is where a traditional Fleet Modernization transaction is combined with the purchase of a heavy-duty vehicle meeting optional NOx standards.

The SMAQMD will accept applications for tiered transactions on a case-by-case basis. To qualify, all participants must have identified who will purchase the new vehicle, the MY 2000 or newer replacement vehicle, and who will destroy the pre-1991 vehicle. Projects will be evaluated based on the total emission reductions and the total cost of the project, including the negotiated value of the newer diesel vehicle. All participants will enter into a performance agreement with the SMAQMD to receive funding. All potential tiered transaction projects must also be approved by CARB.

APPENDIX B – INSURANCE REQUIREMENTS

Verification of Coverage

Participant shall furnish the District with certificates evidencing the coverage required below. Certified copies of required endorsements must be attached to provided certificates. All certificates are to be received and approved by the District before work commences. The District reserves the right to require Participant to provide complete, certified copies of any policy of insurance offered in compliance with these specifications. As an alternative to insurance certificates, Participant's insurer may voluntarily provide complete, certified copies of all required insurance policies, including endorsements, effecting the coverage required by these specifications.

Minimum Scope of Insurance

During the term of this Agreement, Participant shall, at its sole expense, obtain and maintain in full force and effect the type and limits of liability requirements as follows:

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001, most recent edition).
2. Insurance Services Office form CA 0001 (most recent edition) covering Automobile Liability, code 1 (any auto).
3. Worker's Compensation insurance as required by the State of California.
4. Comprehensive and collision coverage sufficient to replace the motor vehicle(s) and emission control system(s) included in this project.

Minimum Limits of Insurance

Participant shall maintain limits no less than:

1. **General Liability:** \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability:** \$1,000,000 per accident for bodily injury and property damage.
3. **Worker's Compensation:** Statutory
4. **Comprehensive/Collision:** Equal to the full replacement cost

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII. The District Liability and Property Insurance Manager may waive or alter this requirement, or accept self-insurance in lieu of any required policy of insurance if, in the opinion of the Risk Manager, the interests of the District and the general public are adequately protected.

**APPENDIX C – SAMPLE SMAQMD APPLICATION &
SACRAMENTO COUNTY W-9 FORM**

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
LOW EMISSION VEHICLE & ENGINE INCENTIVE PROGRAMS

On-Road and Off-Road Application Form

Instructions: > Read all SMAQMD Incentive Program guidelines for instructions. > Fill in all applicable sections with ink. Please print legibly. > Return application to: Heavy Duty Incentive Program, SMAQMD 777 12 th Street, 3 rd Floor Sacramento, CA 95814	Application # : _____
	VET #: _____
	Date Received: _____ (For office use only)

Applicant Information

Company Name		Mailing Address							
Contact Person		City					State		
Title		ZIP				County			
Phone Number		<i>Fill in physical address below if different from mailing address</i>							
Fax Number		Physical Address							
E-mail Address		City					State		
Cell Number		ZIP				County			
Tax ID (Check One)	<input type="checkbox"/> Federal Employers Identification Number (FEIN)				---				
	<input type="checkbox"/> Individual or Sole Proprietor				---		---		
Name of person who will sign the Incentive Agreement: (please print) _____ Title: _____									

Vehicle / Equipment / Engine Vendor Information (or attach business card)

Contact		Address						
Company		City					State	
Phone		ZIP						
FAX		E-mail						

Please initial each section (See Incentive Program Policies and Guidelines for information and requirements):

_____ The purchase of this low-emission technology is **NOT** required by any local, state, and/or federal rule or regulation.

_____ The definitions of qualifying projects are listed in the Program Policies and Guidelines. These definitions have been reviewed and this application is consistent with those definitions.

_____ The vehicle/engine will be used in the Sacramento Federal Ozone Non-Attainment Area (with the emission reduction system operating, if applicable) for at least the projected usage shown in this application.

_____ The Incentive Agreement language can not be modified without the written consent of all parties. I have reviewed and accepted the Incentive Agreement language.

_____ I understand that an IRS Form 1099 will be issued to me for incentive funds received under the SMAQMD Vehicle/Equipment Incentive Program. I understand that it is my responsibility to determine the tax liability associated with participating in the SMAQMD Vehicle/Equipment Incentive Program.

_____ I understand that a SMAQMD approved digital hour meter/odometer will be installed on all vehicles/equipment and that the digital hour meter/odometer will record the hours/miles accumulated within and outside the Sacramento Federal Ozone Non-Attainment Area.

_____ I understand that the Sacramento Metropolitan Air Quality Management District (SMAQMD) staff will evaluate this application and determine if it meets the eligibility requirements and criteria of any incentive programs. The SMAQMD will at its sole discretion determine which program funds, if any, will be used for this application.

Payment Request Options (Initial only one option)

OPTION 1 -- I request that payment be sent to the applicant above.

OPTION 2 -- I request that a two-party check be made for this application co-naming with the vendor listed above with the payment sent to applicant.

OPTION 3 -- I request that a two-party check is made for this application and I authorize that the two-party payment be sent to the vendor listed above.

Application Statement – Please Read

All information provided in this application will be used by the Sacramento Metropolitan Air Quality Management District (SMAQMD) to evaluate the eligibility of this application to receive incentive funds. SMAQMD staff reserves the right to request additional information and can deny the application if such requested information is not provided. Incomplete and illegible applications will be returned to applicant or vendor. An incomplete application is an application that is missing information critical to the evaluation of the project. 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 considered.

- ◆ I certify to the best of my knowledge that the information contained in this application is true and accurate.
- ◆ I understand that it is my responsibility to ensure that all technologies are either verified or certified by the California Air Resources Board (CARB) to reduce Oxides of Nitrogen (NOx) and/or other criteria pollutants.
- ◆ I understand that there may be conditions placed upon receiving an incentive and agree to refund the incentive if it is found that at any time I do not meet those conditions and if directed by the SMAQMD.
- ◆ I understand as a participant that programs have limited funds and shall terminate upon depletion of program funding. The SMAQMD is under no obligation to honor requests received before or after depletion of program funding. I acknowledge that in accepting any incentive funding, I will be prohibited from applying for any other form of emission reduction credits, including: Emission Reduction Credit (ERC); Mobile Emission Reduction Credit (MERC) and/or Certificate of Advanced Placement (CAP), for all time, from the Sacramento Metropolitan Air Quality Management District or any other Air Quality Management or Air Pollution Control District.
- ◆ In the event that the vehicle(s)/equipment do not complete the minimum term of any agreement eventually reached from this application I agree to return to the SMAQMD the full amount of the original incentive. I understand that the SMAQMD or the APCO for the Sacramento Metropolitan Air Quality Management District may relieve this obligation to return the funds depending on the circumstances.
- ◆ I have the legal authority to apply for incentive funding for the entity described in this application.

Applicant's Signature

Date

Applicant's Name (please print)

Title

Vehicle / Equipment Information Form (Please type or print neatly)

Vocation(s) (Please list all vehicle/equipment uses):

Equipment (check one): On-road Off-road Locomotive Marine Forklift
 Other: _____

Project Type (check all that apply for this vehicle):

Fleet modernization (New or Used Vehicle) Engine repower Engine retrofit
 Incremental lower emission fuel cost Fueling infrastructure New low-emission vehicle

Counties Vehicle Currently Operates (check all that apply)

Sacramento Yolo Solano El Dorado Placer Sutter
 Main Location of Operation (include cross streets)

Annual Vehicle Usage Information (be able to prove mileage/hours -- map available for reference)

	Within the Sacramento Ozone Non-Attainment Area		Outside of Sacramento Ozone Non-Attainment Area		Total Operation
	May-October	November-April	May-October	November-April	
Miles/Hours					

Existing Vehicle Information

Make:	Model:	Model Year:	GVWR:
Vehicle Identification Number:	Fleet Identification Number:	License Plate:	Odometer:
<input type="checkbox"/> Truck Body? (check if yes – describe type):			

Existing Engine Information

Make:	Model:	Model Yr:	Serial Number:	HP:	Hour Meter:
Fuel Type: <input type="checkbox"/> CNG <input type="checkbox"/> Diesel <input type="checkbox"/> LNG <input type="checkbox"/> Electric <input type="checkbox"/> Gasoline <input type="checkbox"/> Other:					
<input type="checkbox"/> Engine currently in daily operation (check if yes)					

New or Replacement Vehicle Information

Make:	Model:	Model Year:	GVWR:
Vehicle Identification Number:	Fleet Identification Number:	License Plate:	Odometer:

New Engine or Retrofit System Information

Make:	Model:	Model Yr:	Serial Number:	HP:	Hour Meter:
Fuel Type: <input type="checkbox"/> CNG <input type="checkbox"/> Diesel <input type="checkbox"/> LNG <input type="checkbox"/> Electric <input type="checkbox"/> Gasoline <input type="checkbox"/> Other:					
Exhaust type (check one):	<input type="checkbox"/> Single	<input type="checkbox"/> Dual			

Vehicle #
(Office Use Only)

Project Cost Information

Please attach copies of all sales invoices, vehicle valuations, and repair estimates

Engine Repower Costs	
1. New Lower-Emission Engine	
2. Total Unique Parts	
3. Other Parts	
4. Labor Cost	
5. Existing Engine Rebuild Parts Cost	
6. Existing Engine Rebuild Labor Cost	
7. Digital Usage Meter Allowance	\$1,200.00
Maximum Incentive (=1+2-[5+6]+7)	

Fleet Modernization Costs	
1. Replacement Vehicle Cost (either)	
<input type="checkbox"/> New (80% of factory invoice)	
<input type="checkbox"/> Used (NADA Adj. Loan Value)	
2. Body Value (if any)	
3. Engine Reconditioning Cost (if any)	
4. Engine Repower Cost (if any)	
5. Digital Usage Meter Allowance	\$1,200.00
6. Old Vehicle Repair Costs (if any)	
Maximum Incentive (=1+2+3+4+5-6)	

Engine Retrofit Costs	
1. Engine Retrofit Parts Cost	
2. Engine Retrofit Labor Cost	
3. Digital Usage Meter Allowance	\$1,200.00
Maximum Incentive (=1+2+3)	

New Low-Emission Equipment Purchase	
1. New LEV Purchase Cost	
2. New non-LEV Purchase Cost	
3. Digital Usage Meter Allowance	\$1,200.00
Maximum Incentive (=1-2+3)	

Incremental Lower Emission Fuel Cost	
1. Lower Emission Fuel Price (\$/gal)	
2. Average Diesel Price (\$/gal)	
3. Total Lower Emission Fuel Use (gal)	
Maximum Incentive (= 1-2 *3)	

Fueling Infrastructure	
1. Total Infrastructure Cost	
Maximum Incentive	

Maximum incentive amounts are subject to review by District staff

County of Sacramento

PAYEE DATA RECORD - STD. 204 (REV. 10-2001) (REVERSE)

ARE YOU A RESIDENT OR A NONRESIDENT?

Each corporation, individual/sole proprietor, partnership, estate or trust doing business with the County of Sacramento must indicate their residency status along with their taxpayer identification number.

A **corporation** will be considered a "resident" if it has a permanent place of business in California. The corporation has a permanent place of business in California if it is organized and existing under the laws of this state or, if a foreign corporation has qualified to transact intrastate business. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in this state only if it maintains a permanent office in this state that is permanently staffed by its employees.

For **individual/sole proprietors**, the term "resident" includes every individual who is in California for other than a temporary or transitory purpose and any individual domiciled in California who is absent for a temporary or transitory purpose. Generally, an individual who comes to California for a purpose which will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.

For withholding purposes, a **partnership** is considered a resident partnership if it has a permanent place of business in California. An estate is considered a California estate if the decedent was a California resident at the time of death and a trust is considered a California trust if at least one trustee is a California resident.

More information on residency status can be obtained by calling the Franchise Tax Board at the numbers listed below:

From within the United States, call 1-800-852-5711
From outside the United States, call 1-916-845-6500
For hearing impaired with TDD, call 1-800-822-6268

ARE YOU SUBJECT TO NONRESIDENT WITHHOLDING?

Payments made to nonresident payees, including corporations, individuals, partnerships, estates, and trusts, are subject to withholding. Nonresident payees performing services in California or receiving rent, lease or royalty payments from property (real or personal) located in California will have 7% of their total payments withheld for state income taxes. However, no withholding is required if total payments to the payee are \$1500 or less for the calendar year.

A nonresident payee may request that income taxes be withheld at a lower rate or waived by sending a completed form FTB 588 to the address below. A waiver will generally be granted when a payee has a history of filing California returns and making timely estimated payments. If the payee activity is carried on outside of California or partially outside of California, a waiver or reduced withholding rate may be granted. For more information, contact:

State of California
Franchise Tax Board
Nonresident Withholding Section
Attention: State Agency Withholding Coordinator
P.O. Box 651 Sacramento, CA 95812-0651
Telephone: (916) 845-4900
FAX: (916) 845-4831

If a reduced rate of withholding or waiver has been authorized by the Franchise Tax Board, attach a copy to this form.

PRIVACY STATEMENT

Section 7(b) of the Privacy Act of 1974 (Public Law 93-5791) requires that any federal, state, or local governmental agency which requests an individual to disclose his social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it.

The County of Sacramento requires that all parties entering into business transactions that may lead to payment(s) from the County must provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646 to facilitate tax compliance enforcement activities and to facilitate the preparation of Form 1099 and other information returns as required by the Internal Revenue Code, Section 6109(a). The TIN for individual and sole proprietorships is the Social Security Number (SSN).

It is mandatory to furnish the information required. Federal law requires that payments for which the requested information is not provided be subject to a 31% withholding and state law imposes noncompliance penalties of up to \$20,000.

You have the right to access records containing your personal information, such as your SSN. To exercise that right, please contact the business services unit or the accounts payable unit of the state agency(ies) with which you transact that business.

Please call the State of California Department of Finance, Fiscal Systems and Consulting Unit at (916) 324-0385 if you have any questions regarding this Privacy Statement. Questions related to residency or withholding should be referred to the telephone numbers listed above. All other questions should be referred to the requesting agency listed in Section I.

APPENDIX D – SAMPLE PARTICIPANT AGREEMENT

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
HEAVY-DUTY LOW EMISSION VEHICLE INCENTIVE PROGRAM AGREEMENT**

This Agreement (Agreement) is between the Sacramento Metropolitan Air Quality Management District (District), a public agency of the State of California, and (Participant).

1.0 Recitals

- 1.1 The District is part of the Sacramento Federal Ozone Nonattainment Area (SFNA). The District is also in nonattainment of the state air quality standards for particulate matter and is impacted by the effects of toxic air contaminants, including diesel particulate matter and other pollutants from mobile sources.
- 1.2 Pursuant to Health and Safety Code §40961, the District is the local agency within the boundaries of the Sacramento district with the primary responsibility for the development, implementation, monitoring, and enforcement of air pollution control strategies, clean fuel programs, and motor vehicle use reduction measures.
- 1.3 Pursuant to Health and Safety Code §41062, §41081 and §41082, the District may undertake programs that include financial assistance or other incentives to fleet operators for the purchase, conversion, or operation of low-emission vehicle and engine technology, including but not limited to alternative fuels, zero-emission, and clean diesel technologies.
- 1.4 On February 5, 1998, the District Board of Directors approved Resolution No. 98-0007 authorizing the Heavy-Duty Low Emission Vehicle Incentive Program (Program), which is hereby incorporated by reference and made part of this agreement.
- 1.5 On April 26, 2001, the District Board of Directors approved Resolution No. 2001-020 authorizing the Air Pollution Control Officer (APCO) to execute agreements and make minor modifications to the Program for the purpose of maintaining consistency with the state Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program).
- 1.6 On September 23, 2004, Governor Schwarzenegger signed Assembly Bills 923, 1394, and 2128 which made major changes to the Carl Moyer Program and projects funded using Department of Motor Vehicles Surcharges, expanding the Program to include light-duty vehicles, Fleet Modernization, and agricultural assistance projects.
- 1.7 To implement mobile source emission reduction projects, the Program provides incentives to fleet operators and individuals for the purchase, repower and/or retrofit of low-emission on-road motor vehicles, off-road mobile equipment, and agricultural water pumps.
- 1.8 The Participant wishes to participate in the Program by purchasing and operating the equipment described in this Agreement and represents that the purchase is not required by any local, state, and/or federal rule, regulation, memorandum, or other legally binding agreement, with the exception of certain agricultural projects described in Health and Safety Code §41081(d)(2)(ii).
- 1.9 The Participant has read and agreed to all requirements of the Program application and guidelines, the 2005 Carl Moyer Program Guidelines, and the County of Sacramento W-9 Waiver Form which are hereby incorporated into this Agreement.
- 1.10 This Agreement is a voluntary act intended to accelerate the introduction of low-emission vehicle and engine technology designed to reduce emissions of oxides of nitrogen, particulate matter, reactive organic gases, toxic air contaminants, and oxides of carbon within the SFNA.
- 1.11 This Agreement was approved for use by the Board of Directors of the Sacramento Metropolitan Air Quality Management District on July 28, 2005 by Resolution No. 2005-050.

2.0 Terms and Conditions

2.1 Definitions

2.1.1 “Applicable emission standards” are defined as the emission standards for oxides of nitrogen (NOx), particulate matter (PM), hydrocarbons, and carbon monoxide established by the California Air Resources Board (CARB) or the United States Environmental Protection Agency (USEPA) for a model year vehicle or engine, whichever is more stringent. For “phase-in” or “interim” engines the following standards apply:

Engine Model Year	Power Rating	NOx Standard	PM Standard
2007-2009 On-Road	All On-Road Heavy-Duty Diesel Engines	1.2 g/bhp-hr	0.01 g/bhp-hr
2012-2013 Off-Road	56 – 129 kW (75 – 174 HP)	2.2 g/kW-hr (1.6 g/bhp-hr)	0.02 g/kW-hr (0.01 g/bhp-hr)
2011-2013 Off-Road	130 – 560 kW (175 – 749 HP)	2.2 g/kW-hr (1.6 g/bhp-hr)	0.02 g/kW-hr (0.01 g/bhp-hr)

- 2.1.2 “Agricultural water pump” is defined as a stationary or portable device designed to move water used for agricultural purposes.
- 2.1.3 “Certified” is defined as a motor vehicle or engine that is certified by CARB or the USEPA to an emission standard or standards.
- 2.1.4 “Experimental Permit” is defined as an Executive Order issued by CARB for the experimental use of a non-certified or non-verified engine, fuel, or engine retrofit in California.
- 2.1.5 “Fleet Modernization” is defined as the transaction in which an older on-road motor vehicle or piece of off-road mobile equipment is destroyed and replaced with a similar motor vehicle or piece of equipment certified to a lower emission standard.
- 2.1.6 “Motor vehicle” is defined as a self-propelled device by which any person or property may be propelled, moved, or drawn upon a highway, excepting a device moved exclusively by human power or used exclusively upon stationary rails or tracks.
- 2.1.7 “Off-road equipment” is defined as a self-propelled device not intended for operation on a highway and is powered by an engine certified to off-road or nonroad emission standards.
- 2.1.8 “Repower” is defined as the process in which an old engine is replaced with a new engine.
- 2.1.9 “Retrofit” is defined as the installation of a device designed to reduce emissions from an engine.
- 2.1.10 “Sacramento Federal Nonattainment Area” is defined as the geographic region classified by the USEPA as nonattainment for the 8-hr ozone air quality standard including the Counties of Sacramento, Yolo, and portions of El Dorado, Placer, Solano, and Sutter. A map of these areas is provided in Exhibit A.
- 2.1.11 “Tier 3” is defined as the emission certification of an off-road compression ignition engine to the Tier 3 emission standards as described in §2423(b)(1) of the California Code of Regulations.
- 2.1.12 “Verified” is defined as a device, fuel, or system that is verified by CARB or the USEPA to reduce emissions from a mobile source by a verified amount.

2.2 Participant Obligations – the Participant will:

- 2.2.1 Purchase and operate the equipment described in Exhibit B.
- 2.2.2 Ensure that a District approved digital usage meter is installed on the equipment described in Exhibit B.
- 2.2.3 Operate the equipment described in Exhibit B in the SFNA during the term of this agreement in accordance with the requirements in Exhibit C. Agricultural water pumps are required to operate 100% within the SFNA.
- 2.2.4 Maintain the minimum level of required insurance described in Exhibit D during the term of this Agreement, and ensure that the District is named as an additional insured under the policy.

2.3 Payment

- 2.3.1 The District will reimburse the Participant up to _____ towards the cost of the vehicle(s) or equipment identified in Exhibit B.
- 2.3.2 _____ By initializing this paragraph, the Participant authorizes the District to issue a two-party check in the name of the Participant and _____.
- 2.3.3 Any payments made under this Agreement are subject to the provisions and limitations of Health and Safety Code. The District shall have no liability for payment of any compensation and expenses that are found to be in contravention of the Health and Safety Code or any other local, state, or federal law. The Participant shall reimburse the District for any payments that are later found to be in contravention of this Agreement or of the Health and Safety Code or any other local, state, or federal law.
- 2.3.4 Payments made under this Agreement are subject to taxation and an IRS Form 1099 will be issued to the Participant. Funds may be withheld by the County of Sacramento as required by law for payment of tax liabilities and/or other court-ordered payments.

2.4 General Program Requirements

- 2.4.1 The Participant warrants that the vehicle(s)/engine(s) covered under this Agreement meets all the eligibility requirements described in the Program application and guidelines. The Participant further agrees to operate the vehicle(s)/engine(s) in a manner that is consistent with the eligibility requirements in the guidelines and the goals and objectives of the Program.
- 2.4.2 The Participant cannot apply for or receive additional incentive funds, including but not limited to the state Carl Moyer Program inter-district fund or any other air district fund, including those funds used as matching funds, for any equipment listed in Exhibit B of this Agreement. This requirement may be waived by District staff on an individual basis. If the District discovers that the Participant has applied for or received funds from these sources, the District will terminate this Agreement and require that any funds paid under this Agreement be returned to the District.
- 2.4.3 The Participant agrees to operate the equipment described in Exhibit B within the manufacturers specifications including all maintenance and fueling requirements. Under no circumstances may the Participant make any modifications to or tamper with the vehicle, equipment, engine, emission control system(s), or any recording devices on the vehicle or equipment prohibited under CARB and USEPA regulations. The Participant also agrees to operate the vehicle, engine, and/or equipment in compliance with all local, state, and federal rules, laws, and regulations.

2.5 Engine Repower and Retrofit Requirements – This Agreement is or is not subject to the following requirements:

2.5.1 The low-emission engine or engine retrofit must be either:

- (i) CARB Certified; or
- (ii) CARB Verified; or
- (iii) Under an experimental permit issued by CARB; or
- (iv) In cases where federal law preempts state requirements, approved for use by the USEPA

Engines certified to a level that is less stringent than the standard applicable to the replaced engine for any pollutant are ineligible for funding under this agreement.

2.5.2 Any engine retrofit funded under this Agreement must reduce either oxides of nitrogen or particulate matter emissions by a minimum of 25% for either pollutant.

2.5.3 If the Participant is replacing or repowering an engine, the Participant must either:

- (i) Destroy the replaced or repowered engine in a manner acceptable to the District. If the engine is destroyed, the Participant must permit the District to inspect the destroyed engine; or
- (ii) Implement a District approved destruction alternative. The District may approve a destruction alternative only if special circumstances justifying the use of an alternative exist, and there is no detrimental impact to air quality.

2.6 Fleet Modernization Requirements – This Agreement is or is not subject to the following requirements:

2.6.1 The replacement motor vehicle or piece of off-road equipment must be either:

- (i) CARB Certified; or
- (ii) Under an experimental permit issued by CARB; or
- (iii) In cases where federal law preempts state requirements, approved for use by the USEPA

Engines certified to a level that is less stringent than the standard applicable to the replaced engine for any pollutant are ineligible for funding under this agreement.

2.6.2 Motor vehicles equipped with 1993-1998 on-road heavy-duty diesel engines covered under the 1998 EPA/CARB Consent Decree and Settlement Agreement are ineligible for funding under the Program.

2.6.3 The Participant must meet the following requirements, and submit certifications to the District verifying that the following requirements have been met. Unless otherwise indicated, the certifications must be submitted to the District before the District will be obligated to release the incentive funds to the Participant. An example of each certification form is included in Exhibit E.

- (i) **Existing Vehicle Acceptance and Salvage Certificate Form:** This certificate must accompany the replaced motor vehicle or piece of off-road equipment when the truck is turned in to the vehicle dealership and then onto the salvage yard for destruction.
- (ii) **Vehicle / Equipment Inspection Certification Form:** This form certifies that the replaced motor vehicle or piece of off-road equipment and the replacement motor

vehicle or piece of off-road equipment have been properly inspected to ensure that both vehicles comply with Program guidelines.

2.6.4 The Participant must submit copies of invoices from service providers that confirm:

- (i) Installation of digital odometer/hour meter; and
- (ii) Engine warranty description; and
- (iii) Vehicle/equipment finance documents; and
- (iv) PM control device installation verification

Each invoice must include vehicle identification number, engine serial number, odometer reading, and date service was provided.

2.6.5 The Participant agrees to the following motor vehicle title requirements:

- (i) The Participant will provide a copy of the replacement vehicle's title to the District, demonstrating that the District is named as a lien holder for the vehicle.
- (ii) The Participant must be the legal owner of the replacement vehicle through the length of this Agreement.
- (iii) If the replacement vehicle is financed, the Participant will list both the District and the Finance Company as lien holders for the vehicle.
- (iv) If the replacement vehicle is financed, and the loan is repaid before the termination of this Agreement, the Participant must ensure that the District remains a lien holder on the replacement vehicle through the end date listed in Section 2.10.1.
- (v) If the replacement vehicle is repossessed by the finance company, the Participant must reimburse the District in accordance with the termination formula in Section 2.8 funds received after under Section 2.3.2.
- (vi) Any changes to the replacement vehicle's title must be approved in writing by the District.

2.6.6 The replaced motor vehicle or piece of off-road equipment must be in good operating condition when the Participant delivers it to a District-approved vehicle dealership. The replaced motor vehicle or piece of off-road equipment must be subsequently transferred to a District-approved salvage yard for destruction. The Participant must ensure that a Nonrepairable Vehicle Certificate is filed with the Department of Motor Vehicles.

2.6.7 The Participant agrees to operate the replacement motor vehicle(s) or piece(s) of off-road equipment covered under this agreement in the same vocation as approved in the application to the Program. The Participant may petition the District for approval to change vocations. The Participant agrees that the District's determination will be final.

2.7 New Low-Emission Vehicle Purchase – This Agreement is or is not subject to the following requirements:

2.7.1 New low-emission vehicles must be certified by CARB to an oxides of nitrogen emission level below the applicable standard for that motor vehicle or piece of off-road mobile equipment. Low-emission vehicle or engine technology under an experimental permit from CARB are also eligible for funding under the Program.

2.7.2 The low-emission vehicle or engine technology funded under Section 2.7.1 must achieve at least a 30% reduction in oxides of nitrogen emissions as compared to the applicable baseline emission standards for the specific model year and power rating.

2.7.3 The low-emission vehicle or engine technology funded under Section 2.7.1 must not be certified to particulate matter, hydrocarbons, and/or carbon monoxide levels above the applicable baseline emission standards for the specific model year and power rating.

2.7.4 The Participant must submit copies of invoices from service providers that confirm:

- (i) Installation of digital odometer/hour meter; and
- (ii) Vehicle finance documents

Each invoice must include vehicle identification number, engine serial number, odometer reading, and date service was provided.

2.7.5 The Participant agrees to the following motor vehicle title requirements:

- (i) The Participant will provide a copy of the replacement vehicle's title to the District, demonstrating that the District is named as a lien holder for the vehicle.
- (ii) The Participant must be the legal owner of the replacement vehicle through the length of this Agreement.
- (iii) If the replacement vehicle is financed, the Participant will list both the District and the Finance Company as lien holders for the vehicle.
- (iv) If the replacement vehicle is financed, and the loan is repaid before the termination of this Agreement, the Participant must ensure that the District remains a lien holder on the replacement vehicle through the end date listed in Section 2.10.1.
- (v) If the replacement vehicle is repossessed by the finance company, the Participant must reimburse the District in accordance with the termination formula in Section 2.8 funds received after under Section 2.3.2.
- (vi) Any changes to the replacement vehicle's title must be approved in writing by the District.

2.8 Upon termination of this Agreement, if the vehicle/engine fails to fulfill the minimum required operation as described in Exhibit C, the Participant shall return to the District an amount based on the difference between the required operation amount and the actual amount according to the following formula:

$$A = I * [(O * L) - C] / (O * L)$$

A = Amount Owed to the District

I = Total Incentive Award

O = Annual Operational Requirement (miles, hours or gallons)

L = Length of the Agreement in Years

C = Actual Operation (miles, hours, or gallons)

The APCO may, at his or her sole discretion, relieve this obligation to return the funds after considering the circumstances leading to the failure to fulfill the minimum performance requirements. Additionally, the APCO may, at his or her sole discretion, require full reimbursement of all funds paid to the Participant as outlined in Section 2.10.11.

2.9 The parties acknowledge that this Agreement will be funded by incentive fund revenues being transferred to the District; however, the District may terminate this Agreement if: (i) it does not receive all or a portion of the revenues, or (ii) funds are not specifically appropriated for this Agreement in the District's final budget prior to the expiration of the Agreement and any Agreement extensions. If the District terminates this Agreement under this paragraph, it will serve notice of the action on the Participant within 10 working days

2.10 General Requirements

- 2.10.1 This Agreement shall begin upon execution by all parties and terminate on . For this Agreement, the timeframe indicated by the execution of this Agreement and the afore mentioned termination date shall serve as the contract term including both the project completion and project implementation/life periods.
- 2.10.2 Except as specified in Section 2.10.2(ii), the receipt of funds and performance under this Agreement prohibits application for any form of emission reduction credit for the life of the contract term outlined in Section 2.10.1.
- (i) This prohibition includes, but is not limited to all attainment, nonattainment, criteria and noncriteria pollutants, Application for Emission Reduction Credits (ERC), Mobile Emission Reduction Credits (MERC) and/or Certificates of Advanced Placement (CAP). This prohibition extends to credits from all Air Quality Management or Air Pollution Control Districts.
 - (ii) For projects involving the replacement of a stationary diesel agricultural water pump with an electric water pump in conjunction with the Pacific Gas & Electric Company's (PG&E) PUC-approved discounted AG-ICE electric rate program, PG&E may retain all of the carbon dioxide credits and a portion of the remaining emission credits for reductions generated through this Agreement. The portion of the remaining emission credits retained by PG&E will be the difference in emissions between a Tier 3 diesel engine and the emissions associated with generating electricity for the electric pump.
- 2.10.3 The District, CARB, or their designee may conduct an audit of the Participant's operations to verify that the Participant is complying with the Agreement terms.
- (i) As a condition of accepting funds, the Participant agrees to designate CARB as a third-party beneficiary with full auditing, inspection, and enforcement rights throughout the entire term of the Agreement.
 - (ii) Any audits will be conducted at a reasonable time and with reasonable notice to the Participant. The Participant agrees to provide the District and CARB with on-site access to the vehicle(s)/equipment described in Exhibit B.
- 2.10.4 The Participant shall defend, indemnify, and hold harmless District, CARB, its officers, agents, employees and volunteers from any and all losses, costs, damages, fines or expenses (including attorney fees, court costs and expert fees) or liability of any kind or character to any person or property arising from, or alleged to arise from, any breach of the responsibilities required of the Participant by this Agreement or which are related in any way to the vehicle(s)/equipment, including any and all liability for general, special, consequential, or other damages resulting from the use of the vehicle(s)/equipment by the Participant, for which financial assistance or other incentives are received from the District by the Participant.
- 2.10.5 **This section 2.10 shall survive the termination of this Agreement for three years following the end date listed in Section 2.10.1.** The Participant shall keep the following records from the beginning of operation of the equipment described in Exhibit B through the end of the term described in Section 2.10.1 and for three years following the end date listed in Section 2.10.1. It is the responsibility of the Participant to maintain records adequate to document the subsequent information. The District may request these records at any time during the term of this Agreement, including:

For On-Road Projects	For Off-Road Projects
<ol style="list-style-type: none"> 1. Copies of all driver log book entries for the preceding year 2. Miles traveled 3. Fuel consumed 4. Fuel cost 5. Vehicle downtime 6. Type and cost of maintenance performed 	<ol style="list-style-type: none"> 1. Hours operated 2. Fuel consumed 3. Fuel cost 4. Engine downtime 5. Type and cost of maintenance performed

- 2.10.6 The Participant shall maintain in force at all times during the term of this Agreement and any extensions or modifications thereto, insurance in accordance with Exhibit C. In the event the Participant does not have the required certificate of insurance, or if the required insurance lapses, this Agreement shall be terminated immediately.
- 2.10.7 No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by both parties.
- 2.10.8 The Participant shall observe and comply with all applicable federal, state and District statutes, ordinances, regulations, rules, directives, and laws. This Agreement shall be deemed to be executed within the State of California and construed in accordance with and governed by the laws of the State of California. If a provision of this Agreement violates any applicable law or regulation, that provision will be stricken from the Agreement, and all other provisions will remain in full force. Any action or proceeding arising out of this Agreement shall be filed in a state court or federal court located in Sacramento, California.
- 2.10.9 No performance rendered or payment due under this Agreement may be delegated or assigned without the written consent of all the parties hereto. If the Participant assigns any of its rights or obligations under this contract, all of the terms and conditions of this contract shall apply to the Participant's assignee.
- 2.10.11 This agreement may be terminated by the District upon 30-day notice if the Participant fails to meet any of the obligations established in this Agreement or outlined in the Carl Moyer Program guidelines or the Health and Safety Code. If the Agreement is terminated, the Participant will refund the entire incentive paid by the District. The APCO may, at his or her discretion, waive the refund or allow the Participant an opportunity to cure its failure to meet the Agreement obligations. Additionally, the District and/or CARB may seek all available remedies for breaches of any Agreement provisions, Carl Moyer Program requirements, or Health and Safety Code.
- 2.10.12 The Participant may not sell or encumber the equipment described in Exhibit B without the written consent of the District.
- 2.10.13 The District has made no representations or guarantees to the Participant regarding the quality, condition, or proposed use of the low emission vehicle and engine technology funded under this Agreement or the effects of such technology on the normal operations of the Participant.
- 2.10.14 If either of the events listed in this paragraph occur, the Participant must notify the District within 30 days of the date Participant knows, or should have known, that the event has occurred or is likely to occur:
- (i) The Participant suffers a catastrophic loss; or
 - (ii) The Participant files for bankruptcy; or
 - (iii) Any other event has occurred or is likely to occur that could impair the Participant's ability to perform the conditions of this Agreement.
- 2.10.15 This Agreement will bind the successors of the District and Participant in the same manner as if they were expressly named.

2.10.16 Correspondence between the District and Participant should be addressed to the following:

To District	To Participant
Staff Name Sacramento Metropolitan AQMD 777 12 th Street, 3 rd Floor Sacramento, CA 95814-1908 Phone: (916) 874-4800 FAX: (916) 874-4899	Participant Name Company Name Street Address City, State, ZIP Phone: (xxx) xxx-xxxx FAX: (xxx) xxx-xxxx

The address and/or contacts may be changed only by written notice to the other party. Such written notice may be given by mail or personal service.

2.10.17 This Agreement consists of the following:

- (i) Participant Agreement
- (ii) Exhibit A – Map of Sacramento Federal Nonattainment Area
- (iii) Exhibit B – Vehicle and Engine Information Page
- (iv) Exhibit C – Performance Requirements
- (v) Exhibit D – Insurance Requirements
- (vi) Exhibit E – Certificates (for Fleet Modernization projects only)

SAMPLE

The undersigned representative of Participant affirmatively states that he or she has legal authority to bind Participant to the terms of this Agreement.

Approved by Participant

Date: _____

0

Approved by the Sacramento Metropolitan Air Quality Management District

Larry Greene
Air Pollution Control Officer

Date: _____

Reviewed by:

Kathrine Pittard
District Counsel

Date: _____

SAMPLE

EXHIBIT A – MAP OF SACRAMENTO FEDERAL NONATTAINMENT AREA (SFNA)

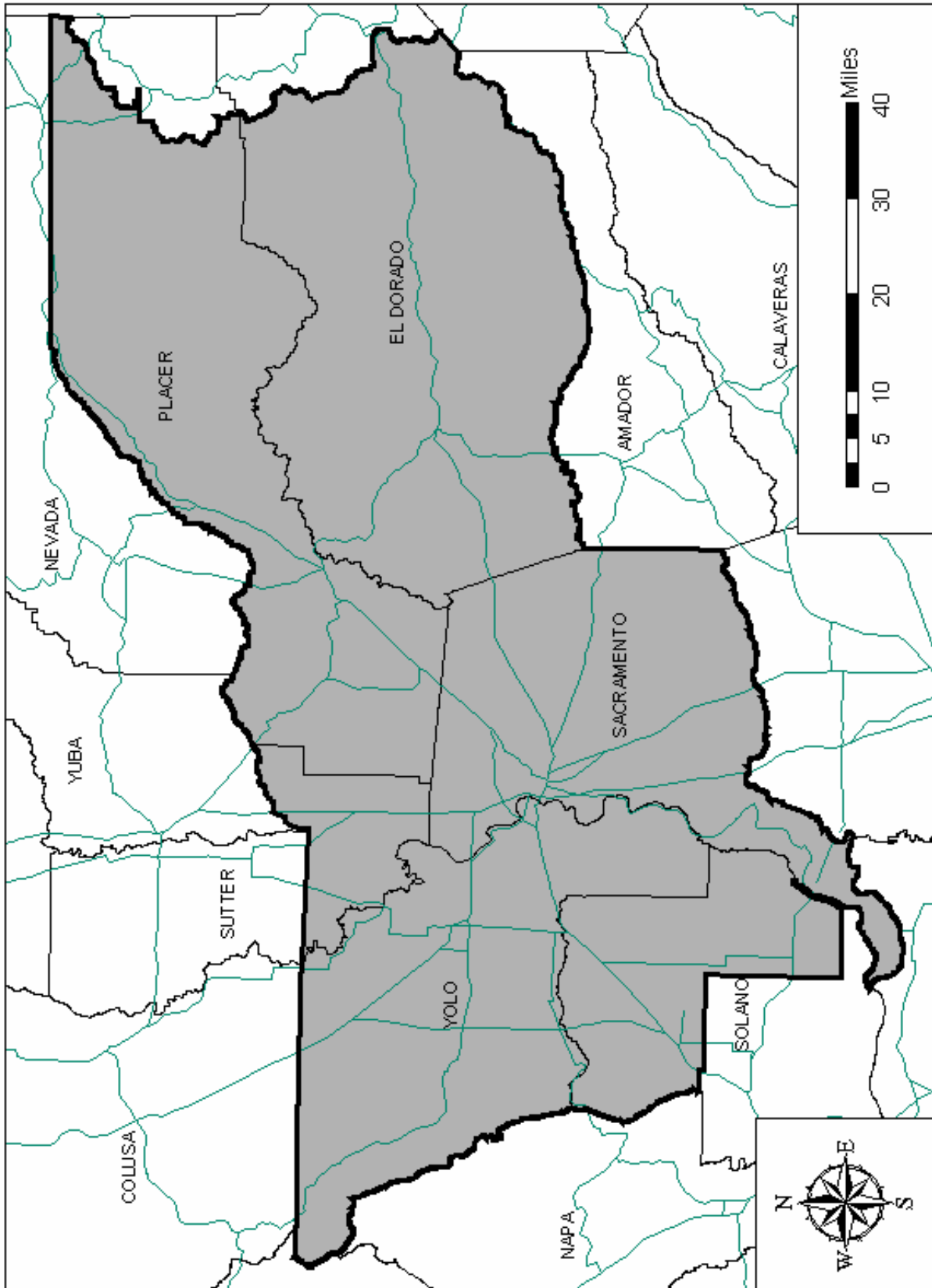


EXHIBIT B – VEHICLE INFORMATION FORM

Section 1: Counties Vehicle Will Be Operated In (Check all that apply – see map on page A1 for reference)

Sacramento El Dorado Placer Solano Sutter Yolo

Section 2: Existing Vehicle Information

Make:	Model:	Model Year:	GVWR:	Wt. Class:
Vehicle Identification Number:	Fleet Identification Number:	License Plate Number:	Vocation(s) (required):	

Section 3: Existing Engine Information

Make:	Model:	Year:	Serial Number:	HP:	
Fuel Type:					

Section 4: New or Replacement Vehicle Information

Make:	Model:	Model Year:	GVWR:	Wt. Class:
Vehicle Identification Number:	License Plate Number:	Odometer Reading:	Exhaust:	

Section 5: New Engine, Reconditioned Engine, or Retrofit System Information

Make:	Model:	Year:	Serial Number:	HP:	NOx Level:
Fuel Type:					g/bhp-hr

Section 6: Annual Vehicle Usage Information (see Exhibit A for reference)

	Within the Sacramento Ozone Non-Attainment Area		Outside of Sacramento Ozone Non-Attainment Area		Total Operation
	May-October	November-April	May-October	November-April	
Miles or Hours					

Section 7: Cost Information

(A) New Vehicle Application	
← LEV* cost	
↑ Non-LEV* cost	
→ Difference (← - ↑)	

* Low-emission vehicle

(B) Incremental Fuel Application	
← LEV fuel cost/gallon	
↑ Ave. diesel cost/gallon	
→ Difference (← - ↑)	

(C) Truck Replacement Application	
← N.A.D.A. adjusted loan value	
↑ Body value (if applicable)	
→ Cost of kit	
↓ Engine repower cost (if applicable) † from section 8*	
° Old Vehicle Repair Costs**	
± Total (← + ↑ + → + ↓ - °)	

†Use Engine Repower Quotation Form (page 6)
 **Costs as determined by BIT Inspection Form

(D) Engine Retrofit Application	
← Retrofit system cost	
↑ Unique parts cost*	
→ Installation labor	
↓ Total (← + ↑ + →)	

* Over \$100 on a per part basis

EXHIBIT C – PERFORMANCE REQUIREMENTS

The below listed vehicle(s)/engine(s) must meet the minimum performance requirements shown to avoid reimbursement according to Section 3.7 of this Agreement

Vehicle and Engine Year Make & Model*	Vehicle and Engine Serial Numbers*	Minimum Usage (hours or miles)	Anticipated Annual NOx Reduction (tons)	Payback Requirement per Hour/Mile	Maximum Incentive Amount
Digital Odometer Allowance					\$650.00
Total					

* The District will fill in information upon verification of project completion.

SAMPLE

EXHIBIT D – INSURANCE REQUIREMENTS

Verification of Coverage

Participant shall furnish the District with certificates evidencing the coverage required below. Certified copies of required endorsements must be attached to provided certificates. All certificates are to be received and approved by the District before work commences. The District reserves the right to require Participant to provide complete, certified copies of any policy of insurance offered in compliance with these specifications. As an alternative to insurance certificates, Participant's insurer may voluntarily provide complete, certified copies of all required insurance policies, including endorsements, effecting the coverage required by these specifications.

Minimum Scope of Insurance

During the term of this Agreement, Participant shall, at its sole expense, obtain and maintain in full force and effect the type and limits of liability requirements as follows:

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001, most recent edition).
2. Insurance Services Office form CA 0001 (most recent edition) covering Automobile Liability, code 1 (any auto).
3. Worker's Compensation insurance as required by the State of California.
4. Comprehensive and collision coverage sufficient to replace the motor vehicle(s) and emission control system(s) included in this project.

Minimum Limits of Insurance

Participant shall maintain limits no less than:

1. **General Liability:** \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability:** \$1,000,000 per accident for bodily injury and property damage.
3. **Worker's Compensation:** Statutory
4. **Comprehensive/Collision:** Equal to the full replacement cost

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII. The District Liability and Property Insurance Manager may waive or alter this requirement, or accept self-insurance in lieu of any required policy of insurance if, in the opinion of the Risk Manager, the interests of the District and the general public are adequately protected.

EXHIBIT E – CERTIFICATES

SAMPLE

CERTIFICATE

Existing Vehicle Acceptance and Salvage

Participant Agreement

Participant Agreement		Agreement Number VET ##-####	
Participant Contact Company Name Address City, State, Zip Phone Number			
Existing Vehicle / Engine Information			
Make:	Engine Make:		
Model:	Model:		
Year:	Year:		
VIN:	Engine Serial Number:		
Odometer Reading:	Horsepower:		
Date existing vehicle was accepted by dealership:			
Dealership Statement:			
I certify under penalty of perjury that: (i) ownership of the vehicle identified above was transferred to me on _____, and (ii) I understand that I have 30 days to transfer vehicle to an authorized salvage company for salvage, as provided in the Program guidelines and Master Agreement.			
Dealership: Address: City, State, Zip: Phone Number:		(business stamp ok)	
Authorized Name:			
Authorized Signature:		Date:	
Date salvage yard received vehicle:			
Salvage Yard Statement:			
I certify under penalty of perjury that within 30 days from the date I received the old vehicle or engine identified above: (i) the engine block was cracked, (ii) the vehicle frame rails cut, and (iii) a Non-Repairable Vehicle Notice has been filed with the DMV. Photos of the destroyed vehicle that are required under the Program Guidelines are attached to this Existing Vehicle Acceptance and Salvage Certificate.			
Dealership: Address: City, State, Zip: Phone Number:		(business stamp ok)	
Authorized Name:			
Authorized Signature:		Date:	

CERTIFICATE

Vehicle / Equipment Inspection Form

Participant Agreement

Participant Information

Agreement Number VET

Contact
Company Name
Address
City, State, Zip
Phone Number

Existing Vehicle / Engine Information

Inspection Date:

Vehicle Make:

Engine Make:

Model:

Model:

Year:

Year:

VIN:

Engine Serial Number:

Odometer Reading:

Horsepower:

New Vehicle / Engine Information

Inspection Date:

Vehicle Make:

Engine Make:

Model:

Model:

Year:

Year:

VIN:

Engine Serial Number:

Odometer Reading:

Horsepower:

Dealership Statement:

I certify under penalty of perjury that: (i) the information provided above is accurate, and (ii) that I understand that this Vehicle / Equipment Inspection Certificate is incorporated in the Master Agreement.

Dealership:
Address:
City, State, Zip:
Phone Number:

(business stamp ok)

Authorized Name:

Authorized Signature:

Date:

APPENDIX E – SAMPLE DEALERSHIP AGREEMENT (SECAT VERSION)

**SECAT Program
Vehicle Dealership
Master Agreement**

This Agreement (Agreement) is between the Sacramento Area Council of Governments (SACOG), the Sacramento Metropolitan Air Quality Management District (District), and _____ (Dealership).

1.0 Recitals

- 1.1. The District is part of the Federal Sacramento Ozone Nonattainment Area (Nonattainment Area) because the levels of ozone in our air do not meet the federal health-based ozone standards. (A map of the Nonattainment Area is included in Exhibit A.)
- 1.2. Ozone is formed by the interaction of Nitrogen Oxides (NOx) and other precursor pollutants. The majority of NOx in the Sacramento Nonattainment Area is generated by vehicles, including heavy-duty vehicles and engines. Consequently, in order to bring the region into attainment with the federal standard, we must reduce the levels of NOx emitted by heavy-duty vehicles.
- 1.3. The state legislature adopted the Sacramento Emergency Air Quality and Transportation Program (SECAT Program) to help the air districts within the Nonattainment Region comply with the federal ozone standard. The SECAT Program is administered by the Sacramento Area Council of Governments (SACOG) in cooperation with the local air districts.
- 1.4. SACOG and the District have developed several programs to achieve the SECAT objectives, and one of those programs is the Fleet Modernization Program (the Program), approved by the District on January 24, 2002 and by SACOG on January 17, 2002. This Agreement is one step in implementing that Program.
- 1.5. The objective of the Program is to accelerate the modernization of the existing heavy-duty vehicle fleet in the Sacramento Ozone Nonattainment Region through financial incentives that will encourage the voluntary replacement of pre-1991 heavy-duty vehicles with vehicles that use newer, lower emission technology.
- 1.6. Under the Program, the District and SACOG will provide financial incentives to vehicle owners that agree to destroy their pre-1991 heavy-duty trucks and then replace them with newer, lower emission vehicles.
- 1.7. To ensure that actual reductions result from the SECAT Program, it is essential: (i) that the replaced vehicles be inspected to verify that they qualify for the Program and then destroyed by a qualified salvage operational, (ii) that a digital odometer be installed in the new vehicle to verify actual operation within the Nonattainment Region, and (iii) that particulate emission control devices be installed if they are available.
- 1.8. Dealership is in the business of selling used and/or brand new heavy-duty trucks.

- 1.9. Dealership has reviewed and is familiar with the SECAT Program Policies and Guidelines.
- 1.10. Dealership understands that the purpose of the Program, and this Agreement, is to help the District and SACOG achieve clean air standards as required by state and federal law.
- 1.11. The Dealership wishes to enter into this Agreement so that it will be eligible to market its equipment and services to Program participants.
- 1.12. The District has not reviewed the Dealership's operations, or reached any conclusion on the quality of the Dealerships' operation. The District is permitting Dealership to enter into this Agreement solely because Dealership has represented to the District that it is aware of the Program goals, and agrees to abide by the Program requirements.

2.0 Conditions

The parties agree that:

- 2.1. **Definitions:** As used in this Agreement, the following terms have the following meanings:
 - (i) **"Program Participant"** means the individual, agency, or business entity that is surrendering its pre-1991 vehicle and receiving funds to aid in the purchase of a new vehicle.
 - (ii) **"Old or Existing Vehicle"** means the pre-1991 vehicle that the Program Participant surrenders for destruction.
 - (iii) **"Replacement Vehicle"** means the newer, lower-emission vehicle purchased by the Program Participant. The vehicle must be model year 2000 or newer, or brand new.
- 2.2. **Payment:** Dealership will not be paid or otherwise reimbursed directly by the District or SACOG. Rather, the benefit received by Dealership under this Agreement is the opportunity to participate in the SECAT Program, which carries the corresponding opportunity to profit through the sale of vehicles to be purchased by vehicle owners that participate in the Program.
- 2.3. **Dealership Qualifications:** Dealership warrants that it meets the following minimum qualifications for participation in the SECAT Program, and will continue to meet these qualifications throughout its participation in the Program. Dealership may petition the SECAT Executive Committee to waive or modify any of these minimum qualifications.
 - (i) Owner has had a valid California business license for a minimum of the last two years.
 - (ii) A minimum of one (1) employee has been trained by the District regarding the SECAT Program.

- (iii) Owner agrees to allow the District to inspect vehicles covered under this agreement during normal business hours.
- (iv) Licensed by the California Department of Motor Vehicles as a vehicle dealership.
- (v) Owner must possess a valid State of California seller's permit issued by the Board of Equalization.

2.4. **Certification Requirements:** In exchange for the opportunity to participate in the Program, Dealership must meet the following requirements, and submit certifications to the District verifying that the requirements have been met. An example of each certification form is included in Exhibit B. The Dealership may subcontract to another business entity to perform these tasks, as long as the District has approved that entity's participation in the SECAT Program. Unless otherwise indicated, the certifications must be submitted to the District before SACOG will be obligated to release the incentive funds to the Participant.

- (i) **Existing Vehicle Acceptance and Salvage Certificate Form:** Submit a completed Existing Vehicle Acceptance and Salvage Certificate Form to a participating Salvage Yard certifying that the Old Vehicle has been turned in and complies with the Program Guidelines.
- (ii) **Vehicle / Equipment Inspection Certification Form:** Submit a completed District-approved Vehicle / Equipment Inspection Certificate Form certifying that the Old Vehicle or Replacement Vehicle has been inspected to ensure that it complies with the Program Guidelines.

2.5 **Required Verification:** A copy of invoices from service providers that confirms: 1) digital odometer installation, 2) engine warranty information and 3) vehicle purchase order plus finance information.

2.6 **Other Requirements:**

2.6.1. **Program Participant Applications:** Assist the Program Participant in the preparation and submission of its SECAT Program Application. As part of this process for used vehicles, Dealership must prepare a National Automobile Dealers Association (NADA) valuation of the used vehicle in accordance with the SECAT Program Policies and Guidelines, and include a true and complete copy of the valuation in the application. As part of this process for new vehicles, Dealership must prepare an invoice signed by the Participant and submit it to the SECAT Program.

2.6.2. **UCC-1 Form:** Participant must file a UCC-1 Form securing all or part of the funds covered under Participant Agreements.

- 2.6.3. **Purchase Documentation and Department of Motor Vehicles (DMV) Registration:** Provide the District with a copy of the Vehicle Purchase documents, invoices, and DMV registration for the New Vehicle.
- 2.6.4. **Invoices:** Promptly submit to the District and the Program Participant invoices for all work performed by Dealership or its subcontractors.
- 2.6.5. **Old and Replacement Vehicle Photos:** Submit all photos of the Old and Replacement Vehicle in accordance with the SECAT Program Policies and Guidelines.
- 2.7 **Authorized Repair Parts:** Any repairs to any engine or vehicle covered under the SECAT Program shall use OEM certified parts.
- 2.8 **Penalties:** Because the inspection and equipment installation required under paragraphs 2.4 and 2.5 of this Agreement are critical components of the SECAT Program, Dealership agrees that if it fails to comply with any of the requirements of paragraphs 2.4 or 2.5, or falsely certifies that it has complied, it will pay a penalty of up to \$500.00 per day for each requirement violated until the violation is cured.
- 2.9 **Compliance with Laws and Regulations:** This Agreement is subject to the provisions and limitations imposed by Health and Safety Code sections 44299.5 and 44299.75. Neither the District nor SACOG are permitted to undertake any actions that contravene these sections of the Health & Safety Code or any other law or regulation.
- 2.10 **Survival:** If a provision of this Agreement violates any applicable law or regulation, that provision will be stricken from the Agreement, and all other legal provisions will remain in full force.
- 2.11 **Indemnity:** The Dealership shall indemnify and defend SACOG and the District, their officers, agents, employees and volunteers, from any and all liabilities of any kind that:
- (i) Arise from, or are alleged to arise from, any breach of the responsibilities required of the Dealership by this Agreement, or
 - (ii) Are related in any way to the vehicles or engines sold by the Dealership under the SECAT Program.
- 2.12 **Prohibition on Emission Reduction Credits:** Dealership is not entitled to apply for or receive Emission Reduction Credits, in any form, by virtue of the modification of vehicles under the SECAT Program. This limitation includes, but is not limited to: (i) all attainment, non-attainment, criteria and non-criteria pollutants, and (ii) application for Emission Reduction Credits (ERC), Mobile Emission Reduction Credits (MERC) and/or Certificates of Advanced Placement (CAP). This prohibition extends to credits from all Air Quality Management or Air Pollution Control Districts.

- 2.13 **Voluntary Act:** The Dealership's participation in the SECAT Program is a completely voluntary act and neither SACOG nor the District has made representations or guarantees to the Dealership regarding its participation in the Program.
- 2.14 **Insurance:** The Dealership shall maintain the insurance coverage described in Exhibit C, and either SACOG or the District may require the Dealership to name SACOG and the District as additional insureds. In the event the Dealership does not maintain the required insurance, SACOG or the District may terminate this Agreement.
- 2.15 **Additional Terms and Conditions:**
- 2.15.1 **Bankruptcy:** The Dealership must notify SACOG and the District in the event Dealership files for bankruptcy. The Dealership must mail the notice within 30 days of filing for bankruptcy.
- 2.15.2 **Ability to Perform:** If either of the events listed in this paragraph occur, the Dealership must notify the District within 30 days of the date Dealership knows, or should have known, that the event has occurred or is likely to occur:
- (i) the Dealership suffers a catastrophic loss, or
 - (ii) any other event has occurred or is likely to occur that could impair the Dealership's ability to perform the conditions of this Agreement.
- 2.16 **Amendments:** No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by all parties.
- 2.17 **Term:** This Agreement shall begin upon execution by both parties and terminate on December 31, 2010.
- 2.18 **Venue:** This Agreement is executed in Sacramento County, California and shall be governed by the laws of the State of California. Any action arising out of this Agreement must be filed in a state court or federal court located in Sacramento, California.
- 2.19 **Successors:** This Agreement will bind the successors of SMAQMD and Participant in the same manner as if they were expressly named.
- 2.20 This Agreement consists of:
- This Agreement
 - Exhibit A, SECAT Program Policies and Guidelines
 - Exhibit B, Certification Forms
 - Exhibit C, Insurance Requirements
- 2.21 Correspondence between the District, SACOG and Dealership should be addressed to the following:

To District	To SACOG	To Dealership
Mr. Michael Neuenburg Sacramento Metropolitan AQMD 777 12 th Street, Third Floor Sacramento, CA 95814-1908 Phone: (916) 874-1676 FAX: (916) 874-4899	Mr. David Young SACOG 1415 L St, Suite 300 Sacramento, CA 95814 Phone: (916) 340-6232 FAX: (916) 321-9551	Contact Name Business Name Business Address City, State, Zip Phone: Phone FAX: FAX

The address and/or contacts may be changed by written notice to the other party. Such written notice may be given by mail, using the U.S. Postal Service, or personal service.

- 2.22 The undersigned representative of Dealership affirmatively states that he or she has legal authority to bind Dealership to the terms of this Agreement.

SAMPLE

Approved by Participant

Name
Title
Date: _____

Approved by the Sacramento Area Council of Governments

Mike McKeever
Executive Director
Date: _____

Reviewed by:

Karen Wilcox
Director of Finance
Date: _____

Approved by the Sacramento Metropolitan Air Quality Management District

Larry Greene
Air Pollution Control Officer
Date: _____

Reviewed by:

Kathrine Pittard
District Counsel
Date: _____

Exhibit A
SECAT Program Policies and Guidelines

SAMPLE

**Exhibit B
Certification Forms**

CERTIFICATE	
Existing Vehicle Acceptance and Salvage	
SECAT Master Agreement / Participant Agreement	
Participant Contact Company Name Address City, State, Zip Phone Number	Agreement Number VET ##-####
Existing Vehicle / Engine Information	
Make:	Engine Make:
Model:	Model:
Year:	Year:
VIN:	Engine Serial Number:
Odometer Reading:	Horsepower:
Date existing vehicle was accepted by dealership:	
Dealership Statement:	
I certify under penalty of perjury that: (i) ownership of the vehicle identified above was transferred to me on _____, and (ii) I understand that I have 30 days to transfer vehicle to an authorized salvage company for salvage, as provided in the SECAT program guidelines and Master Agreement.	
Dealership: Address: City, State, Zip: Phone Number:	
(business stamp ok)	
Authorized Name:	
Authorized Signature:	Date:
Date salvage yard received vehicle:	
Salvage Yard Statement:	
I certify under penalty of perjury that within 30 days from the date I received the old vehicle or engine identified above: (i) the engine block was cracked, (ii) the vehicle frame rails cut, and (iii) a Non-Repairable Vehicle Notice has been filed with the DMV. Photos of the destroyed vehicle that are required under the SECAT Program Guidelines are attached to this Existing Vehicle Acceptance and Salvage Certificate.	
Dealership: Address: City, State, Zip: Phone Number:	
(business stamp ok)	
Authorized Name:	
Authorized Signature:	Date:

CERTIFICATE

Vehicle / Equipment Inspection Form

SECAT Master Agreement / Participant Agreement

Participant Information	Agreement Number VET
Contact	
Company Name	
Address	
City, State, Zip	
Phone Number	

Existing Vehicle / Engine Information	Inspection Date:
Vehicle Make:	Engine Make:
Model:	Model:
Year:	Year:
VIN:	Engine Serial Number:
Odometer Reading:	Horsepower:

New Vehicle / Engine Information	Inspection Date:
Vehicle Make:	Engine Make:
Model:	Model:
Year:	Year:
VIN:	Engine Serial Number:
Odometer Reading:	Horsepower:

Dealership Statement:

I certify under penalty of perjury that: (i) the information provided above is accurate, and (ii) that I understand that this Vehicle / Equipment Inspection Certificate is incorporated in the SECAT Master Agreement.

Dealership:
Address:
City, State, Zip:
Phone Number:

(business stamp ok)

Authorized Name:

Authorized Signature:	Date:
-----------------------	-------

Exhibit C Insurance Requirements

Verification of Coverage

Dealership shall furnish the District with certificates evidencing the coverage required below. Certified copies of required endorsements must be attached to provided certificates. **All certificates are to be received and approved by the District before work commences.** The District reserves the right to require Dealership to provide complete, certified copies of any policy of insurance offered in compliance with these specifications. As an alternative to insurance certificates, Dealership's insurer may voluntarily provide complete, certified copies of all required insurance policies, including endorsements, affecting the coverage required by these specifications.

Minimum Scope of Insurance

During the term of this Agreement, Dealership shall, at its sole expense, obtain and maintain in full force and affect the type and limits of liability requirements as follows:

Coverage shall be at least as broad as:

Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001, most recent edition).

Insurance Services Office form CA 0001 (most recent edition) covering Automobile Liability, code 1 (any auto).

Worker's Compensation insurance as required by the State of California.

Comprehensive and collision coverage sufficient to replace the vehicle(s) and emission control system(s) included in the project.

Minimum Limits of Insurance

Dealership shall maintain limits no less than:

General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.

Worker's Compensation: Statutory.

Comprehensive/Collision: Equal to the full replacement cost.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII. The District Liability and Property Insurance Manager may waive or alter this requirement, or accept self-insurance in lieu of any required policy of insurance if, in the opinion of the Risk Manager, the interests of the District and the general public are adequately protected.

APPENDIX F – SAMPLE SALVAGE YARD AGREEMENT (SECAT VERSION)

**SECAT Program
Salvage Operation
Master Agreement**

This Agreement (Agreement) is between the Sacramento Area Council of Governments (SACOG), the Sacramento Metropolitan Air Quality Management District (District), and _____ (Owner).

1.0 Recitals

- 1.1. The District is part of the Federal Sacramento Ozone Nonattainment Area (Nonattainment Area) because the levels of ozone in our air do not meet the federal health-based ozone standards. (A map of the Nonattainment Area is included in Exhibit A.)
- 1.2. Ozone is formed by the interaction of Nitrogen Oxides (NO_x) and other precursor pollutants. The majority of NO_x in the Sacramento Nonattainment Area is generated by vehicles, including heavy-duty vehicles and engines. Consequently, in order to bring the region into attainment with the federal standard, we must reduce the levels of NO_x emitted by heavy-duty vehicles.
- 1.3. The state legislature adopted the Sacramento Emergency Air Quality and Transportation Program (SECAT Program) to help the air districts within the Nonattainment Region comply with the federal ozone standard. The SECAT Program is administered by the Sacramento Area Council of Governments (SACOG) in cooperation with the local air districts.
- 1.4. SACOG and the District have developed several programs to achieve the SECAT objectives, and one of those programs is the SECAT Program, approved by the District on January 24, 2002 and by SACOG on January 17, 2002. This Agreement is one step in implementing that Program.
- 1.5. The objective of the Program is to accelerate the modernization of the existing heavy-duty vehicle fleet in the Sacramento Ozone Nonattainment Region through financial incentives that will encourage the voluntary replacement of pre-1991 heavy-duty vehicles with vehicles using newer, lower-emission technology.
- 1.6. Under the Program, the District and SACOG will provide financial incentives to vehicle owners that agree to destroy their pre-1991 heavy-duty trucks and then replace them with newer, lower-emission vehicles.
- 1.7. To ensure actual reductions result from the SECAT Program, it is essential that the old engines be destroyed. Otherwise, these old engines could be placed back in use, defeating the District and SACOG attempts to reduce air pollutant emissions.
- 1.8. Owner is in the business of destroying vehicles, engines, and other mechanical devices, and salvaging the parts and scrap metal.

- 1.9. Owner has reviewed and is familiar with the SECAT Program Policies and Guidelines.
- 1.10. Owner understands that the purpose of the Program, and this Agreement, is to help the District and SACOG achieve clean air standards as required by state and federal law.
- 1.11. Owner wishes to enter into this Agreement so that it will be eligible to market its services to Program participants and receive fees or materials to salvage for its profit.
- 1.12. The District has not reviewed Owner's operations, or reached any conclusion on the quality of Owner's work. The District is permitting Owner to enter into this Agreement solely because Owner has represented to the District that it is aware of the Program goals, and agrees to abide by the Program requirements.

2.0 Conditions

The parties agree that:

- 2.1. **Payment:** Owner will not be paid or otherwise reimbursed directly by the District or SACOG. Rather, the benefit received by Owner under this Agreement is the opportunity to participate in the SECAT Program, which carries the corresponding opportunity to profit through the receipt – for cash or free – of materials that Owner will salvage with the intent to make a profit.
- 2.2. **Owner Qualifications:** Owner warrants that it meets the following minimum qualifications for participating in the SECAT Program, and will continue to meet these qualifications throughout its participation in the Program. Owner may petition the SECAT Executive Committee to waive or modify any of these minimum qualifications. Owner must provide proof of meeting the following qualifications if requested by District staff.
 - (i) Owner possesses a current, valid auto dismantler's license issued by the California Department of Motor Vehicles.
 - (ii) Owner possesses a current, valid Hazardous Material Generator and Storage Permit issued by the California Environmental Protection Agency.
 - (iii) Owner possesses a current, valid State of California Storm Water Pollution Control Plan.
 - (iv) Owner has had a valid California business license for a minimum of the last two years.
 - (v) Location vehicles are to be dismantled must be real property within 50 miles of the District.

- (vi) A minimum of one (1) employee has been trained by the District regarding the SECAT Program.
- (vii) Owner agrees to allow the District to inspect vehicles covered under this agreement during normal business hours.

2.3. **Salvage Requirements:** In exchange for the opportunity to participate in the Program, Owner must comply with the following requirements, and submit certifications to the District verifying that the requirements have been complied with. An example of each certification form is included in Exhibit B.

- (i) Complete the vehicle destruction within 30 days of the date the Owner received the vehicle in accordance with the SECAT Program Policies and Guidelines. Destruction includes cutting a hole in the engine block that is at least six inches wide and cutting the frame rails.
- (ii) Register the title with DMV as Non-Repairable Vehicle – where the Vehicle Identification Number (VIN) can no longer be used. Non-Repairable Vehicle Notice of Retention by Owner must be filed by the owner/salvage operator within 30 days of the old vehicle delivery.
- (iii) Complete and submit to the District a District-approved Existing Vehicle Acceptance and Salvage Certificate form within five (5) business days of the date the vehicle is salvaged in accordance with the SECAT Program Guidelines.
- (iv) Submit to the District pictures of the old vehicle as outlined in the SECAT Program Policies and Guidelines on page 19 at the same time as submitting the Existing Vehicle Acceptance and Salvage Certificate form.

2.4. **Use of Vehicle Pending Salvage:** All use of the vehicle, except use necessary to move it for storage purposes, is prohibited.

2.5. **Penalties:** Because the prompt destruction of vehicles is one of the critical components of the SECAT Program, Owner agrees that if it fails to salvage the vehicle within the 30-day period, it will pay a penalty of up to \$500.00 per day until the engine is destroyed. Owner may request that the District extend the 30-day period, and the District will not unreasonably withhold its approval of the extension request. Owner will not be eligible for an extension if the cause of the delay was within its control.

2.6. **Compliance with Laws and Regulations:** This Agreement is subject to the provisions and limitations imposed by Health and Safety Code sections 44299.5 and 44299.75. Neither the District nor SACOG are permitted to undertake any actions

that contravene these sections of the Health & Safety Code or any other law or regulation.

- 2.7. **Survival:** If a provision of this Agreement violates any applicable law or regulation, that provision will be stricken from the Agreement, and all other provisions will remain in full force.
- 2.8. **Indemnity:** The Owner shall indemnify and defend SACOG and the District, their officers, agents, employees and volunteers, from any and all liabilities of any kind that:
- (i) Arise from, or are alleged to arise from, any breach of the responsibilities required of the Owner by this Agreement, or
 - (ii) Are related in any way to the vehicles or engines salvaged by Owner under the SECAT Program.
- 2.9. **Prohibition on Emission Reduction Credits:** Owner is not entitled to apply for or receive Emission Reduction Credits, in any form, by virtue of the destruction of vehicles under the SECAT Program. This limitation includes, but is not limited to: (i) all attainment, nonattainment, criteria and noncriteria pollutants, and (ii) application for Emission Reduction Credits (ERC), Mobile Emission Reduction Credits (MERC) and/or Certificates of Advanced Placement (CAP). This prohibition extends to credits from all Air Quality Management or Air Pollution Control Districts.
- 2.10. **Voluntary Act:** The Owner's participation in the SECAT Program is a completely voluntary act and neither SACOG nor the District have made representations or guarantees to the Owner regarding its participation in the Program.
- 2.11. **Insurance:** The Owner shall maintain the insurance coverage described in Exhibit C, and either SACOG or the District may require the Owner to name SACOG and the District as additional insureds. In the event the Owner does not maintain the required insurance, SACOG or the District may terminate this Agreement.
- 2.12. **Additional Terms and Conditions:**
- 2.12.1. **Bankruptcy:** The Owner must notify SACOG and the District in the event Owner files for bankruptcy. The Owner must mail the notice within 30 days of filing for bankruptcy.
 - 2.12.2. **Ability to Perform:** If either of the events listed in this paragraph occur, the Owner must notify the District within 30 days of the date Owner knows, or should have known, that the event has occurred or is likely to occur:
 - (i) the Owner suffers a catastrophic loss, or

(ii) any other event has occurred or is likely to occur that could impair the Owner's ability to perform the conditions of this Agreement.

- 2.13. **Amendments:** No amendments, alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by all parties.
- 2.14. **Term:** This Agreement shall begin upon execution by both parties and terminate on December 31, 2010.
- 2.15. **Venue:** This Agreement is executed in Sacramento County, California and shall be governed by the laws of the State of California. Any action arising out of this Agreement must be filed in a state court or federal court located in Sacramento, California.
- 2.16. **Successors:** This Agreement will bind the successors of SMAQMD and Participant in the same manner as if they were expressly named.
- 2.17. This Agreement consists of:

This Agreement
Exhibit A, SECAT Program Policies and Guidelines
Exhibit B, Certification Form
Exhibit C, Insurance Requirements

- 2.18. Correspondence between the District, SACOG and Owner should be addressed to the following:

To District	To SACOG	To Dealership
Mr. Michael Neuenburg Sacramento Metropolitan AQMD 777 12 th Street, Third Floor Sacramento, CA 95814-1908 Phone: (916) 874-1676 FAX: (916) 874-4899	Mr. David Young SACOG 1415 L St, Suite 300 Sacramento, CA 95814 Phone: (916) 340-6232 FAX: (916) 321-9551	Contact Name Business Name Business Address City, State, Zip Phone: Phone FAX: FAX

The address and/or contacts may be changed by written notice to the other party. Such written notice may be given by mail, using the U.S. Postal Service, or personal service.

- 2.19 The undersigned representative of Owner affirmatively states that he or she has legal authority to bind Owner to the terms of this Agreement.

Executed by:

Approved by Participant

Name
Title

Date: _____

Approved by the Sacramento Area Council of Governments

Mike McKeever
Executive Director

Date: _____

Reviewed by:

Joan M. Medeiros
SACOG Counsel

Date: _____

Approved by the Sacramento Metropolitan Air Quality Management District

Larry Greene
Air Pollution Control Officer

Date: _____

Reviewed by:

Kathrine Pittard
District Counsel

Date: _____

Exhibit A
SECAT Program Policies and Guidelines

SAMPLE

**Exhibit B
Certification Form**

CERTIFICATE	
Existing Vehicle Acceptance and Salvage	
SECAT Master Agreement / Participant Agreement	
Participant Contact Company Name Address City, State, Zip Phone Number	Agreement Number VET
Existing Vehicle / Engine Information	
Make:	Engine Make:
Model:	Model:
Year:	Year:
VIN:	Engine Serial Number:
Odometer Reading:	Horsepower:
Date existing vehicle was accepted by dealership:	
Dealership Statement:	
I certify under penalty of perjury that: (i) ownership of the vehicle identified above was transferred to me on _____, and (ii) I understand that I have 30 days to transfer vehicle to an authorized salvage company for salvage, as provided in the SECAT program guidelines and Master Agreement.	
Dealership: Address: City, State, Zip: Phone Number:	
(business stamp ok)	
Authorized Name:	
Authorized Signature:	Date:
Date salvage yard received vehicle:	
Salvage Yard Statement:	
I certify under penalty of perjury that within 30 days from the date I received the old vehicle or engine identified above: (i) the engine block was cracked, (ii) the vehicle frame rails cut, and (iii) a Non-Repairable Vehicle Notice has been filed with the DMV. Photos of the destroyed vehicle that are required under the SECAT Program Guidelines are attached to this Existing Vehicle Acceptance and Salvage Certificate.	
Dealership: Address: City, State, Zip: Phone Number:	
(business stamp ok)	
Authorized Name:	
Authorized Signature:	Date:

Exhibit C

Insurance Requirements

Verification of Coverage

Owner shall furnish the District with certificates evidencing the coverage required below. Certified copies of required endorsements must be attached to provided certificates. **All certificates are to be received and approved by the District before work commences.** The District reserves the right to require Owner to provide complete, certified copies of any policy of insurance offered in compliance with these specifications. As an alternative to insurance certificates, Owner's insurer may voluntarily provide complete, certified copies of all required insurance policies, including endorsements, affecting the coverage required by these specifications.

Minimum Scope of Insurance

During the term of this Agreement, Owner shall, at its sole expense, obtain and maintain in full force and affect the type and limits of liability requirements as follows:

Coverage shall be at least as broad as:

Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001, most recent edition).

Insurance Services Office form CA 0001 (most recent edition) covering Automobile Liability, code 1 (any auto).

Worker's Compensation insurance as required by the State of California.

Comprehensive and collision coverage sufficient to replace the vehicle(s) and emission control system(s) included in the project.

Minimum Limits of Insurance

Owner shall maintain limits no less than:

General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.

Worker's Compensation: Statutory.

Comprehensive/Collision: Equal to the full replacement cost.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII. The District Liability and Property Insurance Manager may waive or alter this requirement, or accept self-insurance in lieu of any required policy of insurance if, in the opinion of the Risk Manager, the interests of the District and the general public are adequately protected.

**APPENDIX G – SAMPLE FINANCE COMPANY MEMORANDUM OF
UNDERSTANDING**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding (MOU) is between the Sacramento Metropolitan Air Quality Management District (District), a public agency of the State of California, and _____ (Finance Company).

1.0 RECITALS

- 1.1 The District is part of the Sacramento Federal Ozone Nonattainment Area (SFNA). The District is also in nonattainment of the state air quality standards for particulate matter and is impacted by the effects of toxic air contaminants, including diesel particulate matter and other pollutants from mobile sources.
- 1.2 Pursuant to Health and Safety Code §40961, the District is the local agency within the boundaries of the Sacramento district with the primary responsibility for the development, implementation, monitoring, and enforcement of air pollution control strategies, clean fuel programs, and motor vehicle use reduction measures.
- 1.3 Pursuant to Health and Safety Code §41062, §41081 and §41082, the District may undertake programs that include financial assistance or other incentives to fleet operators for the purchase, conversion, or operation of low-emission vehicle and engine technology, including but not limited to alternative fuels, zero-emission, and clean diesel technologies.
- 1.4 The District implements several mobile source incentive programs, including but not limited to the Sacramento Emergency Clean Air Transportation (SECAT) Program, the Heavy-Duty Low Emission Vehicle Incentive Program (HDLEVIP), and the Technology Demonstration Program, which provide financial assistance to owners of on-road motor vehicles to reduce emissions of oxides of nitrogen, particulate matter, reactive organic gases, and oxides of carbon within the Sacramento Federal Nonattainment Area. Heavy-duty motor vehicle projects under SECAT may be wholly or partially funded by the Sacramento Area Council of Governments (SACOG).
- 1.5 One of the programs developed by the District to reduce emissions from mobile sources is the Fleet Modernization Element of the HDLEVIP. Under the Fleet Modernization Element, the District and SACOG provide incentive funding to Program Participants who destroy older motor vehicles and replace them with newer, cleaner motor vehicles.
- 1.6 By requiring that the Program Participants use the replacement motor vehicles in the same manner as the replaced motor vehicles, and that the Program Participants operate the replacement motor vehicles within the SFNA, the District ensures that the Program expedites the introduction of newer, cleaner motor vehicles within the SFNA. The District achieves this objective by requiring that Program Participants operate the replacement motor vehicles for a minimum number of miles or hours within the SFNA, or repay all or part of the incentive funding to the District.
- 1.7 The incentive funds offered by the District and SACOG do not cover the full purchase price of the replacement motor vehicle. Finance Company plays provides loans to Program Participants to finance the balance of the purchase price.
- 1.8 Consequently, both Finance Company and the District have a security interest in motor vehicles purchased under the Fleet Modernization Element, and Finance Company, SACOG and the District each have a financial interest in motor vehicles purchased under the Element. This MOU will set forth the parties understanding of the manner in which each party's financial interest will be protected.

2.0 FINANCIAL PROVISIONS

2.1 Definitions:

- 2.1.1 "Motor Vehicle" is defined as a self-propelled device powered by an internal combustion engine by which any person or property may be propelled, moved, or drawn upon a highway, excepting a device moved exclusively by human power or used exclusively upon stationary rails or tracks.
- 2.1.2 "Program Participant" is defined as an individual or entity that has received incentive funding under an agreement with the District.

2.2 **Vehicle and Equipment Title:** Both Finance Company and the District will be listed on the Department of Motor Vehicles Registration and Title documents as lien holders of the vehicle. Finance Company will initially maintain the legal title document for the vehicle or equipment. If the Program Participant satisfies the Finance Company loan before completing its obligations to the District, Finance Company will convey the title to the District.

2.3 **Repossession:** If either Finance Company or the District repossess vehicles or equipment, the repossessing party will provide notice of the repossession to the other party within one business day.

2.4 Sale of Repossessed Vehicle or Equipment:

2.4.1 **Release:** Until the Program Participant discharges its loan and contractual obligations to Finance Company and the District, respectively, the sale or transfer of vehicles or equipment financed under the Fleet Modernization Program requires the written approval of both Finance Company and the District. Neither party will unreasonably withhold their written approval to the sale or transfer of the vehicle or equipment.

2.4.2 **Priority:** Each party is responsible for documenting the amount owed to it upon the sale of a repossessed vehicle or equipment. If a repossessed vehicle is sold by either party, proceeds from the sale will be distributed in the following order of priority:

- (i) The outstanding loan balance owed to Finance Company will be paid first.
- (ii) The outstanding balance owed to the District, as determined under section 2.4.3, will be paid second.
- (iii) Any funds remaining after payment to Finance Company and the District is completed will be distributed to the Program Participant.

2.4.3 **Amount Owed to the District:** The amount owed to the District by the Program participant is calculated based on the Program Participant's discharge of its mileage and hour obligations and the amount loaned to the Participant by the District, according to the following formula:

$$A = I * [(O * L) - C] / (O * L)$$

A = Amount Owed to the District

I = Total Incentive Award

O = Annual Operational Requirement (miles, hours or gallons)

L = Length of the Agreement in Years

C = Actual Operation (miles, hours, or gallons)

2.4.4 **Duties:** The party selling the repossessed vehicle has a duty to use its best efforts to obtain a sale price that is sufficient to fund the repayments to both Finance Company and the District.

2.5 **Repayment by Program Participant:** Nothing in this Memorandum of Understanding affects the rights of Finance Company or the District to collect any funds owed to them by the Program Participant in the event the repossession sales proceeds are inadequate to satisfy the amounts owed to them by the Program Participant.

2.6 Additional Provisions:

2.6.1 Nothing in this Memorandum is intended to supersede or circumvent the Uniform Commercial Code or California Commercial Code.

2.6.2 This Memorandum is executed in Sacramento County, California and shall be governed by the laws of the State of California.

2.6.3 Correspondence between the District and Finance Company shall be addressed to the following:

To District	To Finance Company
Mike Neuenburg Sacramento Metropolitan AQMD 777 12 th St, 3 rd Floor Sacramento, CA 95814 Phone: (916) 874-1676 FAX: (916) 874-4899	CONTACT NAME FINANCE COMPANY STREET ADDRESS CITY, STATE ZIP PHONE FAX

The address and/or contacts may be changed by written notice to the other party. Such written notice may be given by mail, using the U.S. Postal Service, or personal service.

The undersigned representative of Finance Company affirmatively states that he or she has the legal authority to bind Finance Company to the terms of this Memorandum of Understanding.

Approved by FINANCE COMPANY

_____ Date: _____
Contact Name
Title

Approved by the Sacramento Metropolitan Air Quality Management District

_____ Date: _____
Larry Greene
Air Pollution Control Officer

Approved as to form:

_____ Date: _____
Kathrine Pittard
District Counsel

