

MONTEREY BAY AIR RESOURCES DISTRICT (MBARD)

CARB Grant Programs Policies and Procedures Manual

**MBARD Guidance for Administering Grants funded through CAPP,
FARMER, and Moyer Programs
Including the DIESEL ENGINE AND EQUIPMENT REPLACEMENT
PROGRAM (DEERP)**

December 2023



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Executive Summary

To improve air quality and promote economic benefits, the Monterey Bay Air Resources District (MBARD) applies for and expends funds from the California Air Resources Board's (CARB) Carl Moyer Program (CMP), Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, Community Air Protection Program (CAPP), and other state and local mitigation funds. The CARB's 2017 Carl Moyer Program Guidelines require MBARD to prepare and maintain a current Policies and Procedures Manual with which to administer MBARD's Carl Moyer Program.

2023 Update.

To stay consistent with the CARB Guidelines and to make program improvements MBARD will introduce the **CARB Grant Programs Policies and Procedures Manual** to clarify procedures including the following:

- Project applicants are not eligible for grants if they have taken any action to procure, order, take delivery of, or purchase equipment prior to contract execution per the requirements of the FARMER, CMP and CAPP Guidelines.
- MBARD introduced the Landscape Equipment Exchange Program (LEEP) in 2023. MBARD will maintain a current LEEP Policies and Procedures Manual within the **CARB Grant Programs Policies and Procedures Manual** with which to administer LEEP.
- MBARD will maintain a current CAPP Policies and Procedures Manual within the **CARB Grant Programs Policies and Procedures Manual** with which to administer CAPP.
- MBARD will maintain a current DEERP Policies and Procedures Manual within the **CARB Grant Programs Policies and Procedures Manual** with which to administer DEERP.
- Since 2023, MBARD will retain electronic records and will only retain presently maintained hardcopy records as required.

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I. Background

CARB's CMP Guidelines require MBARD to adopt a Policies and Procedures Manual in order to receive CMP funds. Staff has prepared this Diesel Engine and Equipment Replacement Program (DEERP) Policies and Procedures Manual as a supplement to CARB's CMP, FARMER, and CAP Program Guidelines. This manual sets forth policies and procedures for MBARD staff to use in day-to-day administration of these grant programs.

These policies and procedures outline MBARD's methods to meet or exceed minimum requirements for the CMP as specified in the CA Health and Safety Code (H&SC), and as elaborated by CARB in the most recent version of the CMP, FARMER and CAPP Guidelines and advisories.

II. Program Timeline

MBARD is required to meet obligation and expenditure deadlines for each funding year per grant program. Despite the usual DEERP implementation timeline detailed in Table 1, grant application periods open on an as-needed basis to best solicit a reasonable number of potential applications with respect to available project funds.

Table 1. MBARD DEERP Implementation Timeline

MONTH	DESCRIPTION
January	<i>Process grant agreements CARB awards CMP, FARMER and CAPP funds to MBARD</i>
February	
March	
April	
May	
June	<i>Deadline to expend funds associated with the funding year four calendar years prior (including interest, recaptured funds, and other funds added to the funding target for that year).</i>
July	<i>Continue processing grant agreements</i>
August	<i>Submit annual report to CARB</i>
September	<i>MBARD must submit and CARB must receive a check for the shortfall amount of prior year's programs by Sept. 28</i>
October	
November	<i>Board authorizes grant solicitations from CARB DEERP Guidelines are updated</i>
December	

III. CARB Grant Funds (FARMER, Moyer, and CAPP)

CARB allocates FARMER, Moyer, and CAPP Grant funds to MBARD each year in accordance with a formula identified in H&SC 44299.2(a). CARB notifies MBARD of this amount and the match funding required (see below for details regarding the match funding). Each year MBARD submits to CARB a completed application form with original signature, documentation of the match commitment and MBARD Board resolution for obligating the grant award. The resolution also authorizes the Air Pollution Control Officer (APCO) to implement MBARD grant programs if funding is awarded by CARB.

A. Grant Award and Authorization

CARB determines awards for each air district and specifies the amount of the award for projects

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and outreach funding. Following execution of the Grant Award and Authorization Form, MBARD obligates and expends all funds awarded and returns unexpended funds as required in agreement with CARB.

B. CARB Grant Disbursement Request

Upon execution of the Grant Award and Authorization Form, MBARD submits an initial Disbursement Request to the CARB. The initial disbursement can include up to 10% of MBARD's allocation or \$200,000, whichever is greater, and all the administrative funds. MBARD submits subsequent disbursement requests after obligation of funds to projects.

C. Other Funds using CMP Guidelines

MBARD may receive funds from CARB through several grant programs within a calendar year which require the distribution of these funds according to the CMP Guidelines. To allow for efficient evaluation of projects and disbursement of funds, once evaluated and ranked, projects are funded using eligible funding sources in order of priority and annual emissions reduced. The leveraging of various funding sources expands the opportunities for current applicants. If necessary, MBARD will host additional application cycles to help liquidate funding and/or meet the requirements of the specific funding source. Below are all additional funding sources explained.

1. CMP State Reserve Funds

H&SC § 44286(d) gives CARB the authority to reserve up to 10 percent of CMP funding to directly fund any project that is a covered source and is described in Section 44281. In Fiscal Year (FY) 2017-18, FY 2018-19, and FY 2019-20 the state reserve funds have been allocated towards CMP eligible off-road projects (mobile, portable, and stationary off-road compression ignition and large spark-ignition projects such as construction, agricultural, and industrial equipment). FY 2020-21 funds were directed to EV infrastructure projects. FY 2021-22 funds were directed to zero-emission lawn and garden equipment replacement projects. FY 2022-2023 funds were directed to on-road heavy-duty vehicle replacements going to zero-emission on-road heavy-duty vehicles through the On-Road VIP Guidelines. For FY 2022-2023 MBARD declined to accept these funds. Future State Reserve funds will be directed to projects as identified by the solicitations and grant agreements offered by CARB. Off-road, on-road and EV infrastructure projects may be selected through separate application processes.

Table 2: CMP State Reserve Disbursement, Liquidation, Return of Funds Timeline

FISCAL YEAR (Moyer Year)	DISBURSEMENT DEADLINE	LIQUIDATION DEADLINE	RETURN OF FUNDS DEADLINE
2018-2019 (Yr 21)	June 30, 2021	June 30, 2023	September 28, 2023
2019-2020 (Yr 22)	June 30, 2022	June 30, 2024	September 28, 2024
2020-2021 (Yr 23)	June 30, 2023	June 30, 2025	September 28, 2025
2021-2022 (Yr 24)	June 30, 2024	June 30, 2026	September 28, 2026
2022-2023 (Yr 25)	June 30, 2025	June 30, 2027	September 28, 2027

2. FARMER Program

The Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program provides MBARD with funds for reducing agricultural sector criteria pollutants, toxic air contaminants, and greenhouse gas (GHG) emissions. Eligible projects include

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agricultural harvesting equipment, heavy-duty agricultural trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.

Funding awarded to MBARD was based on MBARD's portion of emissions from farm equipment in the publicly available inventory and attainment status with National Ambient Air Quality Standards. Projects are chosen and implemented using the 2018 FARMER Guidelines, the 2017 CMP Guidelines, the 2018 Funding Guidelines for Agencies Administering California Climate Investments, and specific contract requirements.

MBARD will ensure priority for funding projects that are within and benefiting disadvantaged communities and low-income households or communities consistent with AB 1550. Priority will also be given to zero-emission pilot or replacement projects.

CARB requires MBARD to submit quarterly reports and semi-annual reports for each funding cycle. Projects that have a project life that extends past the funding liquidation date must submit annual reports to the CARB for the duration of the project life.

Table 3: FARMER Disbursement, Liquidation, Return of Funds Timeline

FARMER YEAR / FISCAL YEAR	DISBURSEMENT DEADLINE	LIQUIDATION DEADLINE	RETURN OF FUNDS DEADLINE
FARMER Year 1, Fiscal Year 2017-2018	May 30, 2021	June 30, 2021	August 15, 2021
FARMER Year 2, Fiscal Year 2018-2019	May 30, 2022	June 30, 2024	August 15, 2024
Farmer Year 3, Fiscal Year 2019 - 2020	May 30, 2023	June 30, 2025	August 15, 2025
FARMER Year 4, Fiscal Year 2021 - 2022	May 30, 2026	June 30, 2026	August 15, 2026
FARMER Year 5, Fiscal Year 2022-2023	May 30, 2027	June 30, 2027	August 15, 2027
FARMER Year 6, Fiscal Year 2023-2024	May 30, 2028	June 30, 2028	August 15, 2028

3. AB 617 Community Air Protection (CAP) Funds

The CARB is providing California Climate Investment funds to reduce emissions and improve public health in communities with high burdens of cumulative pollutant exposure, consistent with the goals of AB 617.

Funding will prioritize electrifying medium and heavy-duty vehicles (Class 6 – Class 8), including zero-emission school buses, charging/fueling infrastructure, and replacement projects of vehicles, equipment, and infrastructure that operate in AB 617 communities. MBARD will strive to grant no less than 70 percent of funds to projects that are located in, and provide direct, meaningful and assured benefits to SB 535 disadvantaged communities, and strive to grant no less than 80 percent of funds to projects that are located in, and provide direct, meaningful and assured benefits to residents of AB 1550 communities.

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Eligible projects include those eligible under the CMP 2017 Guidelines, CAP Funds Guidelines Supplement, 2019 CAP Guidelines, or other incentive projects and programs included in approved Community Emissions Reduction Program (H&SC§ 44391.2).

MBARD will provide a summary of final selected projects consistent with Section IV of the CARB Funding Guidelines for Agencies that Administer California Climate Investments (CCI Funding Guidelines) online.

When submitting project lists with disbursement requests MBARD will indicate how each project satisfies evaluation criteria for benefits to priority populations. The Funding Guidelines criteria for Clean Transportation and Equipment will be used unless modified by mutual agreement.

Table 4: CAPP Disbursement, Liquidation, Return of Funds Timeline

FISCAL YEAR	DISBURSEMENT DEADLINE	LIQUIDATION DEADLINE	RETURN OF FUNDS DEADLINE
2017 – 2018 (CAP-1)	June 30, 2019	June 30, 2023	September 28, 2023
2018 – 2019 (CAP-2)	June 30, 2020	June 30, 2024	September 28, 2024
2019 – 2020 (CAP-3)	June 30, 2021	June 30, 2025	September 28, 2025
2021 – 2022 (CAP-5)	June 30, 2024	June 30, 2026	September 28, 2026
2022 – 2023 (CAP-6)	June 30, 2025	June 30, 2027	September 28, 2027
2023 – 2024 (CAP-7)	June 30, 2026	June 30, 2028	September 28, 2028

IV. AB617 Community Air Protection (CAP) Program Policies and Procedures Manual

This section focuses on MBARD’s local implementation of the CAP Guidelines, including roles and responsibilities within MBARD and local application of program requirements. MBARD staff will review this section at least once a year and make it available when requested by California Air Resources Board (CARB) staff or a member of the public.

The CAP Program provides a community-focused action framework to improve air quality and reduce exposure to criteria air pollutants and toxic air contaminants in the communities most impacted by air pollution. The CAP Program aims to facilitate greenhouse gas emission reductions and furthers the purpose of AB 32 and related statutes.

Important program resources:

- [Assembly Bill No. 617](#)
- [Community Air Protection Incentives Guidelines](#)
- [California Climate Investment Guidelines](#)
- [California Climate Investment Annual Report to the Legislature](#)
- [Community Air Protection Blueprint](#)
- [Carl Moyer Program Guidelines](#)

Roles and responsibilities within MBARD for program implementation:

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MBARD Contacts	Responsibilities
Planning & Air Monitoring Manager	Program Management Community engagement Project approval
Planning & Air Monitoring Supervisor	Program Implementation Community engagement
Air Quality Planner(s)	Responding to CARB funding agreements Community engagement Evaluation, selection, and inspection of projects Obtaining governing board approval for program participation and projects to be funded.
Air Quality Technician	Preparation of documents Program tracking
Executive Assistant	Program outreach

The administrative procedures are based on the requirements of the most recently adopted Carl Moyer Program (CMP) Guidelines, CAP Program Guidelines, and the California Climate Investments (CCI) Funding Guidelines.

Projects funded with CAP Program incentives align with CCI goals and requirements, which prioritize the importance of targeting CCI funds to communities in a way that meaningfully addresses community needs. State law requires that at least 25 percent of CCI be allocated to projects located within and benefiting individuals living in disadvantaged communities, and that at least an additional ten percent go to projects located within and benefiting low-income households or individuals living in low-income communities. For CAP Program incentives, CARB required in Board Resolution 18-15 that at least 80 percent of each year's funds be invested in and specifically benefit these priority communities, with at least 70 percent spent in and benefiting disadvantaged communities.

Source categories, procedures, and projects to be supported with CAP Program incentive funds are outlined in **the CARB Grant Programs Policies and Procedures Manual**. In addition to the outlined procedures in **the CARB Grant Programs Policies and Procedures Manual**, the following are unique components of the CAP Program:

- 1) To ensure transparency and accountability, MBARD staff will conduct or participate in several outreach events and campaigns (e.g. social media, program mail-outs, radio station advertisement, etc.) to help potential applicants access funding opportunities, particularly for priority populations.
- 2) MBARD must report each public outreach event held for the CAP Program, including the date, city, and estimated number of in-person and remote attendees (e.g., teleconference, webinar, Zoom, etc.)
- 3) MBARD must report employment benefits and outcomes for administrative funds; including an estimate of the hours worked and the average hourly wage by job classification for staff administering the CAP Program.
- 4) Projects being considered for CAP Program funding will be displayed on MBARD's website prior to final funding selection.
- 5) MBARD will display the CCI logo on equipment and signage, as applicable, to acknowledge the funding source. Standard funding language will be used on websites and included in announcements, press releases, and publications as follows:

“The **Monterey Bay Air Resources District (MBARD)** is part of California Climate Investments, a statewide

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program that puts billions of Cap-and-Trade dollars to work reducing GHG emissions, strengthening the economy, and improving public health and the environment— particularly in disadvantaged communities. The Cap-and-Trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. California Climate Investments projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling, and much more. At least 35 percent of these investments are located within and benefiting residents of disadvantaged communities, low-income communities, and low-income households across California. For more information, visit the California Climate Investments website at: www.caclimateinvestments.ca.gov.”

The *Media & Communications Style Guide* will be used for guidance on proper CCI logo placement (www.caclimateinvestments.ca.gov/logo-graphics-request).

V. Match Funding

Air districts participating in the CMP that request more than the minimum allocation of \$200,000 are required to provide match funding (H&SC §44287). MBARD must commit match funds equaling 15 percent of the CMP funds received. The source of local match funds can include AB 2766, AB 923 and other local funding sources. Historically, MBARD has used AB 923 funds to meet match requirements.

VI. Earned Interest

MBARD accounting staff deposits CMP funds received from CARB into an interest-bearing account. MBARD allocates earned interest to CMP projects according to the 2017 CMP Guidelines. Accounting staff tracks the accrued interest and provides this upon request by Planning staff. Planning staff use this information to allocate interest funds to eligible projects and for reports to CARB.

VII. Co-funding CARB Grant Fund Projects with Other Funding Sources

Funds other than CARB Grant Funds may be used to co-fund eligible projects, when all program criteria associated with each funding source are met. Funding sources are grouped into the following categories:

- Federal funds
- State funds
- Local funds
- Penalty funds
- Other applied funds

VIII. Administration and Outreach Funds

MBARD is allocated up to 12.5 percent of the total annual grant funding for administration and outreach costs to implement the program. Administration and outreach funds may be used for costs associated with the tasks such as staff time, consultant fees, printing, mailing, and travel costs. MBARD accounting staff maintains the following documentation of costs required by and in accordance with the 2017 CMP Guidelines:

- Personnel documentation
- Outreach
- Consultant fees
- Printing and mailing expenses
- Travel expenses

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If MBARD staff incurs travel expenses related to the CMP, those expenses are charged to the CMP based on travel costs, per diem rates and policies described in the MBARD Administrative Code. MBARD accounting staff maintains the indirect cost calculation methods.

MBARD uses outreach funds to inform the public about the grant fund availability, when MBARD accepts applications and to keep off-road equipment dealers informed of CMP Guideline requirements.

IX. Landscape Equipment Exchange Program (LEEP) Policies and Procedures Manual

This section focuses on the Monterey Bay Air Resources District's local implementation of the Landscape Equipment Exchange Program (LEEP) including roles and responsibilities within MBARD and local application of requirements. MBARD staff will review this section at least once a year and make it available when requested by California Air Resources Board (CARB) staff or a member of the public.

AB 1346 prohibits in California small off-road equipment (SORE), which includes lawn and garden equipment, produced on or after January 1st, 2024, from emitting engine exhaust and evaporative emissions. The California Air Resource Board's 2020 Mobile Source Strategy for SORE is to have a full transition to zero-emission equipment starting in 2024. Executive Order N-79-20 calls for zero emissions from all off-road equipment in CA by 2035. LEEP aims to facilitate engine exhaust and evaporative emission reductions and to support the transition to zero-emission equipment.

Important program resources:

- [Assembly Bill No. 1346](#)
- [Carl Moyer Program Guidelines \(2017\)](#)
- [Carl Moyer Program Guidelines: Chapter 9 \(2023\)](#)
- [Fiscal Year 2021-2022 \(Moyer Year 24\) State Reserve Project Solicitation](#)

Roles and responsibilities within MBARD for program implementation:

DISTRICT CONTACTS	RESPONSIBILITIES
Planning & Air Monitoring Manager	Program Management Community engagement Project approval
Planning & Air Monitoring Supervisor	Program Implementation Community engagement Project approval
Air Quality Planner	Obtaining governing board approval for program participation and projects to be funded. Responding to CARB funding agreements Community engagement Evaluation, selection, and inspection of projects
Air Quality Technician	Responding to CARB funding agreements Community engagement Evaluation, selection, and inspection of projects Maintaining online application materials

LEEP administrative procedures are based on, and projects funded with LEEP incentives align with, requirements of the most recently adopted Carl Moyer Program (CMP) Guidelines (2017), Chapter 9:

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Lawn and Garden Equipment Replacement of the Carl Moyer Program Guidelines (2023), and the Moyer Year 24 State Reserves Solicitation memo (2022).

In addition to and despite procedures outlined in other sections of MBARD's **CARB Grant Programs Policies and Procedures Manual**, the following are unique components of LEEP:

- 1) The Landscape Equipment Exchange Program (LEEP) introduced in 2023 has a residential program aspect, which is funded by the Carl Moyer Program funds, and a commercial program aspect, which is funded by Carl Moyer Program State Reserves Year 24.
- 2) LEEP projects are excluded from CMP Guidelines requirements in:
 - Chapter 2: General Criteria
 - P. Applicant cost share
 - U. California Air Resources Board (CARB) verification and certification.
 - Chapter 3: Program Administration
 - S. Project Application Requirements
 - W. Project Pre-Inspection
 - X. Project Post-Inspection
 - Y. Project Invoice and Payment
 - Z. Grantee Annual Reporting
 - AA. Air District Audit of Projects
 - BB. Nonperforming Projects
 - And as noted elsewhere in Chapter 9: Lawn and Garden Equipment Replacement of the Carl Moyer Program Guidelines (2023)
- 3) LEEP applicants will not be eligible for grants if they have taken any action to procure, order, take delivery of, or purchase equipment prior to contract execution. LEEP applicants must complete and submit their reimbursement paperwork within 30 days of contract execution.
- 4) The LEEP rebate reimbursement process includes the pre-approval, exchange, and reimbursement steps. Participants establish program eligibility and enter a contract with MBARD during the pre-approval step. Applicants confirm their understanding of their project's rebate amount during the preapproval step. During the exchange step, confirmation of the dismantling of the old combustion equipment is established. The reimbursement step includes verifying the rebate amount with respect to the description of equipment exchanged and the final invoice of the new, battery-powered, zero-emission equipment. Each project's rebate amount is individually reviewed by an Air Quality Technician or Air Quality Planner before a rebate is sent for review and disbursement by mail by MBARD Finance officers. MBARD finance officers disburse each rebate by mail or as requested by applicant.
- 5) All additional aspects of the LEEP Program Guidelines are available for review on the MBARD webpage (www.MBARD.org/LEEP) and upon request (831-647-9411).

X. Project Solicitation, Evaluation and Selection

The CMP allows air districts to determine the method of soliciting projects and the types of projects to fund. MBARD may consider the following project types for funding:

- Marine vessel engine repower or alternative fuel repower
- Off-road equipment replacement and/or electrification
- Agricultural irrigation pump electrification
- Zero-emission school bus replacement
- Zero-emission Infrastructure
- Zero-emission On-Road Vehicle replacement

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Zero-emission School Bus Replacement

School buses are subject to the Statewide Truck and Bus Regulation. The maximum funding cap for zero-emission school bus replacements is \$400,000. On a case-by-case basis, MBARD will consider increased funding.

Zero-emission Infrastructure

All infrastructure projects must be used to fuel or power a covered source as defined by H&SC § 44275(a)(7). These covered sources include but are not limited to on-road, off-road, agricultural, and marine vessel emission sources. Statute does not require infrastructure projects to meet a CE threshold. To provide project selection transparency for publicly accessible infrastructure projects, MBARD will go through a competitive bid process when the project includes public access.

Zero-emission On-Road Vehicle Replacement

Many fleet rules affect On-Road Heavy-Duty Vehicles. Various types of projects can be incentivized to provide surplus emission reductions from on-road heavy-duty vehicles. For fleets with ten or fewer vehicles over 14,000 lbs. GVWR, the State funding amount cannot exceed 80 percent of the vehicle cost (excluding taxes and fees). For fleets with more than ten vehicles, the funding amount cannot exceed 50 percent of the vehicle cost (excluding taxes and fees).

The following sections describe MBARD's method for soliciting, evaluating, and selecting projects.

A. Project Solicitation

MBARD conducts outreach to each sector listed above, especially small business contacts and dealers/vendors of new equipment and/or engines. Examples of MBARD outreach include:

- Heavy-duty diesel engine and parts suppliers and service providers
- Press releases
- Public workshops
- Posting on MBARD website

B. Application Evaluation and Project Selection

The DEERP application period opens for a limited duration when funds become available, and projects are needed to access the funding. Applications will only be accepted during a designated application period. Each complete grant application received is assigned a unique number and filed for eligibility review. Grant funds will be limited to two active contracts per applicant (individual or corporation). However, MBARD will consider entering into additional contracts with a grantee on a case-by-case basis. An application period may be reopened to refresh a project application list when a new round of funding is available.

If the number of complete, eligible applications is insufficient to obligate all CARB Grant Funds, MBARD may use the following procedures to obligate remaining funds:

- Work with inactive applicants to complete and evaluate their applications
 - Reopen the solicitation
 - Use remaining CARB Grant Funds for other eligible program(s)
 - Carry over unobligated funds to the next year and increase advertising and outreach
- After the submission deadline, MBARD evaluates all applications for eligibility. The following sections describe MBARD's application evaluation and project selection process.

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1. *Application Evaluation*

All applicants must be in good standing with all MBARD requirements and must comply with state or federal regulations (i.e. Commercial Harbor Craft Regulations, Truck and Bus Regulation, Portable Equipment Registration Program). For Infrastructure projects, the project must comply with all applicable federal, State, local laws and codes. MBARD evaluates applications for completeness. Incomplete applications will be returned with an explanation of the missing information within thirty working days of receipt. Applicants are able to resubmit their completed applications prior to the application deadline.

MBARD may deny applications where applicants have been convicted of violating any federal, state, or local law or regulation relating to fraud or financial mismanagement and may hold applications pending any investigation into such matters. MBARD may also deny applications if the applicant has violated any MBARD Rule or Regulation or has breached or participated in the circumvention of any material provision of a contract with MBARD.

As part of the evaluation and selection process, the following elements are considered:

a) Baseline Engine Information

A major aspect of the application evaluation is confirming baseline engine data, reviewing historical use, and calculating annual average use. Staff confirm baseline engine specifications with the engine manufacturer's data.

The applicant must have owned the existing equipment in California for the previous two years. The applicant must provide documentation of the following specific to the existing equipment (select one):

- Bill of sale for the old existing equipment (preferred)
- Tax depreciation logs
- Property tax records
- Equipment insurance records
- Bank appraisals for equipment
- Maintenance/service records
- General ledgers
- Fuel records specific to the existing equipment that identify the equipment owner

As part of the application evaluation process, staff documents that the baseline engine is operational. Evidence of operational condition must be provided to Planning Staff for the previous year. This documented usage can be based on one or more of the following:

- Usage records that identify operational, standby, and down hours for the equipment
- Routine inspections which document the operating condition of the existing equipment (Occupational Safety and Health Administration or

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workplace required) Employee timesheets linked to specific equipment use

- Employee timesheets linked to specific equipment use
- Preventative maintenance/service records tied to specific hours of equipment use
- Repair work orders specific to the equipment

MBARD may evaluate other forms of documentation based on approval by CARB on a case-by-case basis. MBARD maintains baseline engine documentation in the project folder.

MBARD staff calculates the average annual use for the baseline engine from records submitted with the application. CMP projects must be based within MBARD's jurisdiction. The emissions reductions and grant amount are calculated from use within California and within California waters (for marine vessels) in accordance with the 2017

CMP Guidelines. If the applicant does not provide documentation of annual use, the application will be returned.

Annual use will be based on hour meter readings. In the event that this information is unavailable, MBARD will accept the submission of fuel receipts to determine annual use on a case-by-case basis.

Baseline equipment must be operational prior to execution of the grant agreement. Failure to maintain baseline equipment operability and provide adequate evidence of usage can result in ineligibility to participate in a grant program.

b) Eligible Costs

MBARD reviews the price quotes included with the application and will allow costs for taxes, installation, and transportation costs for eligible equipment.

c) Environmental Justice

MBARD has fewer than one million inhabitants, so MBARD does not track funding allocated to environmental justice areas as indicated by H&SC § 43023.5.

2. Project Selection and Funding Amount

Staff evaluates each eligible project to determine the Cost-Effectiveness (CE), Weighted Annual Emissions Reduced, and Grant Amount. Cost-effectiveness calculations must be hour-based. Calculation of funding amounts must be based on the average of at least the two most recent years of documented equipment usage. For projects in which the two most recent years of documented usage are not available, the minimum annual usage is required to be specified in the contract.

- Maintenance records showing dates and hour meter/odometer readings
- Receipt showing purchase/installation date of current hour meter
- Fuel receipts showing dates of purchase and quantity
- Other means to verify actual use of the equipment/engine during at least the 24 most-recent months.

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Disadvantaged communities and low-income areas are given highest priority as required by each respective CARB grant program guidelines. Cost-Effectiveness (CE) is then used to rank the projects, while also giving priority to electrification projects. Projects will be ranked from most cost-effective (lowest \$/ton of emissions) to least cost-effective (highest \$/ton of emissions).

The grant amount for Moyer and FARMER projects is calculated by using the lowest project life, which keeps the project at or below the CE limit of \$34,000 (see Table 5 for minimum and maximum caps per project type). If the calculated project CE is higher than the \$34,000 cap, MBARD will use the maximum project life as stated in Table 5. School bus projects have a unique maximum grant amount of \$400,000 and also a unique CE limit of \$313,000/ton. In all cases grant amounts will be based on the most recent published CE limits determined by CARB.

Table 5: Project Life Selection Criteria (in Years)

PROJECT TYPE	MINIMUM	MAXIMUM
On-Road		
Replacements	1	7
School Bus Replacements	1	10
Electric Conversions	1	5
Other On-Road Projects	1	3
Off-Road		
Repower only	3	7
Farm Equipment (All Projects)	3	10
Replacement & Repower to Zero-Emission	3	10
All other non-farm replacements	3	5
Infrastructure	3	15

Project funding will be limited to 50% or \$150,000 (whichever is less) for diesel-to-diesel repower and replacement projects and agricultural pump electrification projects. On a case-by-case basis, projects which have significant regional emission reductions as determined by the Air Pollution Control Officer, and all other zero-emission projects will follow the funding caps according to the 2017 CMP Guidelines as shown in Table 6. On a case-by-case basis, projects which have significant regional emission reductions and CAPP projects in DACs may receive grant amounts following the 2017 CMP Guidelines rather than being limited to 50% of the project cost or \$150,000, whichever amount is lower.

Table 6: Maximum Percentage of Eligible Costs

PROJECT TYPE	FUNDING CAP PERCENTAGE
On-Road (Zero Emission Replacements or Conversions)	
Fleets with 10 or less vehicles	80%
Fleets with 11 or more vehicles	50%
Off-Road	
Repower to zero-emission	85%
Diesel to diesel	65%

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Infrastructure	
All Projects	50%
Publicly Accessible Projects	60%
Projects with Solar/Wind Power Systems ^(a)	65%
Publicly Accessible Projects with Solar/Wind Power Systems ^(a)	75%
Public School Buses – Battery Charging and Alt. Fueling	100%

^(a) At least 50 percent of the energy provided to covered sources by the project must be generated from solar or wind.

Staff enters project information into CARB's Clean Air Reporting Log (CARL) to confirm emissions reductions and the funding amount for the top ranked projects that are equivalent to MBARD's available grant funds.

MBARD files the following information in the project folder:

- Project application
- Record of each project's emission reductions and ranking

The following is information regarding electric, cordless, zero-emission lawn and garden equipment under 25 hp exchanged in LEEP:

The baseline engine in a LEEP exchange must be operational, and owned and operated within Monterey, Santa Cruz, and San Benito County for at least the 24 months prior to applying.

Funding for electric, cordless, zero-emission lawn and garden equipment under 25 hp cannot exceed the equipment cost or the maximum funding amount per equipment category as prescribed in Chapter 9 of the Carl Moyer Program Guidelines (2017).

Project selection for electric, cordless, zero-emission lawn and garden equipment under 25 hp in LEEP for residential and commercial applicants is first-come, first-served.

XI. Project Pre-Inspection

MBARD staff conduct a project pre-inspection after an applicant accepts the grant amount, but before contract execution. The pre-inspection verifies that the baseline engine is operational, meaning the engine must be in condition to perform its intended purpose. Staff will also verify the baseline engine serial number, horsepower, and model year. Lack of a legible serial number may make the project ineligible for funding.

For off-road equipment, pre- and post-inspections can be completed on the same day through the observation and documentation of the baseline equipment, replacement equipment, and the destruction of the baseline equipment.

An inspection will only be scheduled for a time when the project applicant can provide a safe environment for staff to conduct the inspection. For example, engines shall only run during the inspection to verify operability. The applicant must also ensure that engines have not been operated within several hours prior to the inspection to avoid excessive engine temperature.

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At the time of the inspection, the applicant must be able to direct MBARD staff to the exact locations of equipment identification plates, hour meters and fuel gauges. All required paperwork must be available during the inspection. The pre-inspection form includes information such as make, model, year, horsepower, fuel type, engine family, engine tier, serial number, application number, and date. As part of the inspection, MBARD staff will photograph the baseline engine. Inspection forms, including photos, are stored electronically in the project folder. If the engine identification is illegible, the pre-inspection form will be used to document baseline engine information to uniquely identify the engine.

MBARD has the following additional policies regarding pre-inspections:

- MBARD may allow public agencies to provide documentation of the baseline engine(s) subject to MBARD verification.
- For equipment and/or engines located outside of MBARD boundaries, MBARD staff may request staff of the air district in which the equipment is temporarily located, to conduct the pre-inspection. Likewise, MBARD staff may conduct pre-inspections within MBARD's boundaries for other air districts at their request.

Electric, cordless, zero-emission lawn and garden equipment under 25 hp does not require a pre-inspection as outlined in Chapter 3 of the CMP guidelines according to Chapter 9 of the CMP guidelines.

XII. Obligation of Funds to Projects

Upon confirmation of project eligibility, MBARD staff sends the applicant a written offer and contract for signature by the applicant within 30 days (electronically unless otherwise requested by the grantee).

Project applicants will not be eligible for grants if they have taken any action to procure, order, take delivery of, or purchase equipment prior to contract execution per the requirements of the FARMER, CMP and CAPP Guidelines.

If the grantee fails to sign the contract within the 30-day period, staff contacts the applicant to determine whether an extension should be granted. An extension of the signature date may be granted if this would not extend the project completion date past MBARD's expenditure deadline for CMP funds.

If no extension is granted, the grant offer will be rescinded, the application will be made inactive, and the funds will be reprogrammed to the next-highest ranked project.

XIII. Contract Development

CARB requires that all CMP contracts contain the elements listed in the 2017 CMP Guidelines, Chapter 3, *V. Minimum Contract Requirements (page 3-27)*. These elements include party names, date, contact information, contract term, project specifications, payment provisions, reporting requirements, and repercussions for noncompliance. MBARD reviews the format and content of CMP contracts internally prior to sending to applicants. This review begins with MBARD counsel approving the contract template prior to planning staff preparing project-specific contracts. Planning staff prepares project-specific contracts that are reviewed by the Planning Manager prior to submitting to the grantee.

In addition to the CMP contract requirements, MBARD contracts contain the following additional provisions:

- a. Warranty requirements

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- b. Property and liability insurance for all projects with MBARD listed as “loss payee” for Property Insurance and “additional insured” for liability insurance.
- c. Grantee specifies whether payment should be made either by:
 - i. 1-party check to Grantee or
 - ii. 1 party check to vendor identified in the contract.
- d. No grant funds shall be given to any member of MBARD’s Board of Directors. This requirement is also extended to members of MBARD’s Advisory Committee, Hearing Board, any other MBARD committee, and staff of MBARD.
- e. MBARD will file a UCC-1 (lien) on all grant-funded projects prior to payment of invoice or reimbursement and MBARD will file a UCC-3 (lien release) within 10-days of contract expiration.
- f. Grantee shall provide notice of UCC-1 filing to prospective purchasers of funded equipment or financial institutions.
- g. Grantee shall notify MBARD within five days if the grantee files a petition for relief under bankruptcy law.

Consistent with 2017 CMP Guidelines, MBARD retains the original contract and provides a copy to the grantee.

XII. Project Post-Inspection

MBARD conducts post-inspections to verify that the project equipment matches the information described in the grant contract. MBARD staff and/or contracted consultants conduct post-inspections after project implementation prior to payment approval. Two important aspects of the post-inspection are verifying that the baseline engine is rendered permanently unusable/irreparable and verifying that the new engine matches the specifications in the contract. As described above in Section IX, the pre- and post-inspections for off-road equipment can be completed during the same inspection day. An inspection will only be scheduled for a time when the project applicant can provide a safe environment to conduct the inspection. For example, engines shall only run during the inspection to verify operability. The grantee must also ensure that engines have not been operated within several hours prior to the inspection to avoid excessive engine temperature.

At the time of the inspection, the applicant must be able to direct MBARD staff to the exact locations of equipment identification plates, hour meters and fuel gauges. All required paperwork must be available during the inspection.

Similar to pre-inspections and depending on the engine location, MBARD staff may request other air districts to conduct the post-inspection or MBARD may be asked by other air districts to conduct post-inspections. MBARD verifies the following information during the post-inspection. This information is recorded on a post-inspection form and is stored in the electronic project file folder along with the post-inspection photographs on MBARD’s O Drive.

- a. The baseline engine serial number matches what was recorded in the pre-inspection.

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- b. The replacement engine matches the specifications listed in the contract.
- c. New equipment/engine information is documented with photos using the same photographic documentation procedures described in “baseline pre-inspection.”
- d. The project engine complies with CMP eligibility criteria and grant contract requirements.
- e. Baseline engines and equipment are required to be destroyed at a MBARD-verified salvage yard at which time a Certificate of Destruction is issued by authorized salvage yard staff along with photographs of the destroyed engine and equipment (unless MBARD staff are present for the inspection). Flexibility to this requirement will be determined on a case-by-case basis. MBARD staff shall verify that the existing equipment is rendered permanently unusable and irreparable. At a minimum, the destruction of an engine must include:

Off-Road (per CARB Guidelines, Chapter 5, (P) (1) (page 5-10):

- 1) A hole in the engine block with a diameter of at least three inches at the narrowest point. The hole must be irregularly shaped (i.e. no symmetrical squares or circles)
- 2) A section of the oil pan flange must be removed as part of the hole or have a line cut through it that connects the hole.

All equipment except off-road and lawn and garden equipment under 25 horsepower (per CARB Guidelines, Chapter 3, 4. Verification of Destruction (A) (B) (page 3-35):

- 1) MBARD staff will verify and document through photographic or video evidence that the destroyed engine serial number matches that on the project contract.
- 2) MBARD staff must verify that engines without a visible and legible serial number are uniquely identified by the correct MBARD stamp or other permanent marking prior to engine destruction.

In some cases, the grantee may use a vendor to provide professional services to accomplish contract obligations. MBARD staff may verify destruction of the baseline engine/equipment through photographs submitted by the grantee or vendor. MBARD staff may also verify the identity of the engine using photographs or, at the discretion of MBARD staff, may require shipment of the destroyed engine to a location within MBARD for inspection by MBARD staff prior to reimbursement.

Lawn and garden equipment under 25 horsepower exchanged in LEEP does not require a post-inspection as outlined in Chapter 3 of the CMP guidelines according to Chapter 9 of the CMP guidelines.

XIII. Payment of Projects (Expenditures)

Once a contract is executed and the post-inspection is completed, the grantee can submit grant invoices for payment. Contracts specify a required timeframe for grantees to request reimbursement. Should the grantee fail to implement the project according to the schedule, staff will contact the grantee, evaluate the circumstances and determine a course of action that may include a contract extension or termination. MBARD may extend the reimbursement period at its discretion. In most cases an extension

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will not go past the applicable due date for obligation of funds in the 2017 CMP Guidelines. MBARD may allow a longer extension if cumulative tracking shows MBARD is in compliance with obligation deadlines.

Planning and accounting staff process payments for projects by reviewing and tracking invoices and expenditures for each project. The following outlines MBARD's steps for invoicing and payment:

- a. Grantee must submit grant invoices along with the reimbursement form (included in the contract packet) to the CMP Planning Staff Contact, within the timeframe specified in the contract, unless extended.
- b. The CMP Planning Staff submits initial post-inspection packet containing the original contract, post-inspection and destruction documentation, and reimbursement packet to the Planning Manager.
- c. After approval by the Planning Manager, CMP Planning Staff passes Reimbursement packet containing the transmittal cover sheet, original contract, reimbursement form with directions of payment, and invoices to the accounting staff.
- d. Once accounting staff has approved grant invoice documentation, the invoice is logged as pending payment and is passed on to planning staff for final approval from Planning Manager and APCO.
- e. Planning Manager verifies project completion in accordance with the grant contract and confirms consistency between grant invoice requirements and the submitted invoices.
- f. Planning Manager forwards final reimbursement packet to the APCO (or designee) for approval.
- g. After APCO (or designee) approval, the invoice is processed for payment by accounting staff.
- h. Payments are made within 30 days of APCO (or designee) approval.
- i. Once the grant invoice is paid, documentation of payment is maintained by accounting and planning staff. The completed invoice packet is filed by check date in the accounts payable files and retained by accounting staff. Planning staff track invoices and expenditures by CMP funding year.
- j. Accounting staff produces a monthly grant expense report showing the budget, amount expended to date, and amount remaining of each individual grant. Planning staff reviews the report to confirm details in the planning tracking spreadsheet. Accounting staff and planning staff meet regularly to discuss issues such as discrepancies in expended amounts and invoice processing procedures.

XIV. Project Monitoring

Project monitoring includes annual use reporting and MBARD project audits. Annual use reporting is an important on-going method for MBARD to monitor the progress of projects in achieving emission reductions. Project audits verify that CMP-funded equipment complies with the grant contract. The following sections describe the details of the annual use reporting and project audits.

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a. Grantee Annual Reporting

Annual reporting is required by CMP Guidelines and is a critical element of project monitoring to ensure emission reductions are achieved. CMP funded projects funded beginning in Moyer Year 13 are required to submit annual reports for the term of the contract.

MBARD conducts annual reporting activities in the first quarter of each year. In January, MBARD mails out usage forms to all active grantees for whom a report is required. The reports are due back to MBARD no later than the first Friday in March. Grantees report total annual use, percent of time engine operated within California and percent of time engine operated within MBARD. Grantees must report usage in hours.

The grantee annual report is reviewed for completeness, accuracy, and compliance with the project's requirements. MBARD maintains hardcopy completed digital annual use report forms.

MBARD staff shall make reasonable efforts to obtain the necessary information from grantees who fail to return a timely and complete usage report.

If project requirements are not met and/or emission reductions are not achieved, MBARD is required to address the project's non-performance. MBARD actions to address nonperforming projects include, but are not limited to:

- Extending the project contract for additional years (provided the extension complies with applicable CMP Program Advisories).
- Requiring Grantee to pay back project funds to MBARD proportional to the loss in emission reductions.
- Transferring ownership of the engine/equipment to another grantee committed to complying with the contract terms.
- Recalculate the project's cost-effectiveness based on decreased usage per 2017 CMP Guidelines, Chapter 3, *BB. Nonperforming Projects (page 3-38 through 3-40)*.
- Grant a waiver according to the following:
 - In instances where annual usage is significantly lower than anticipated due to unforeseen circumstances beyond the control of the engine owner, the owner may request a waiver from MBARD. The request must include documentation acceptable to MBARD showing the need for a waiver and verification that low use of the grant-funded engine did not result from the grantee using higher-polluting equipment. Documentation and approved waivers shall be filed in the project folder.

b. Project Audits

In the second quarter of each year, MBARD audits projects as prescribed by the CMP Guidelines. MBARD will include at least one off-road equipment replacement project in the list of projects audited.

XV. Project File Set-Up and Maintenance

MBARD retains program, project, and fiscal files with electronic documentation on a secure server that is backed-up daily. Since 2023, MBARD will retain electronic records and will only retain presently maintained hardcopy records as required.

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Administrative records for a given funding year must be retained, at a minimum, until the applicable funding year liquidation deadline.

Some files pertaining to administering the CMP are retained in Planning Division files, while others are retained in Administrative Division files. Planning Division and Administrative Division responsibilities for file creation and maintenance are described below.

a. Planning Division

Planning staff are responsible for programming, contracting and payment-approval for CMP projects. Planning staff tracks project implementation, annual project usage, and retains program files.

Project folders maintained in the Planning Division and electronically on MBARD's server are used to store application forms, formal written communications with the grantee, inspection forms, photographs, and documentation required by grant contracts including certificates of warranty, insurance, and UCC-1 filings. Project folders also contain funding eligibility data including documentation of how baseline and project engine information (e.g. horsepower) were determined. For some CMP grant projects, an original application is created and stored on MBARD's Laserfiche's Document Management System.

The following documentation must be maintained in the project files for a minimum of five years after the grant liquidation period or the last recorded grant transaction (the final payment), whichever is later:

- File for each project selected for funding
- Executed project contracts and contracts amendments
- Pre-inspection form
- Post-inspection form, including additional information required for retrofit devices
- Copies of invoices and documentation of payment
- Waivers for low use as needed.

Applications that were not selected for funding must be retained for a minimum of three years after receipt.

In addition to hardcopy files, planning staff also maintain electronic files associated with the CMP. Electronic files are maintained within Laserfiche's Document Management System, CARB's CARL Database, and MBARD's database of project information, CARB which includes and is not limited to, spreadsheets to track fiscal progress and analyze annual use data.

b. Administrative Division

Accounting staff processes and retains records and accounts of CMP fund balances, obligations, and expenditures.

Fiscal files are identified by the general ledger numbering system within MBARD accounting software. This number uniquely identifies each grant within the system.

CMP fiscal files consist of a completed pay package, which includes a grant invoice packet with supporting documentation and approvals. The accounting voucher also contains the check number and the date the check was mailed. This package is filed in the Accounts Payable files

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alphabetically by grantee.

XVI. Program Structure, Organization, and Coordination with CARB

MBARD's CMP is primarily administered through the Planning Division. The organization of MBARD staff in the CMP is shown in Figure 1. An important aspect of MBARD's CMP is MBARD internal quality control (QC) checks used throughout the process. These QC checks include:

- internal review of the contract language
- invoice review by planning, management, and accounting staff
- fund obligation and expenditure confirmation between accounting and planning staff
- periodic meetings to evaluate the progress of the CMP

Planning staff retains correspondence with CARB in the project folders regarding their interpretations, clarification, guidance, or possible deviations from the CMP Guidelines.

CARB invites MBARD staff to attend CMP Incentive Program Implementation (IPI) team meetings once a quarter or as needed. MBARD staff also attend other CMP program meetings by teleconference or in person.

As part of their oversight responsibilities, CARB staff may perform desk reviews of MBARD CMP program, on-site monitoring, and audits. An audit of MBARD's program may involve other state agencies, such as the Department of Finance and State Bureau of Audits. Audits may be fiscal, programmatic or both. Audit preparation is specific to whatever entity is performing the audit and what documents and analyses are requested prior to the audit.

Figure 1. MBARD CMP Organizational Chart

