



City of San Antonio

Agenda Memorandum

File Number: 18-6084

Agenda Item Number: 21.

Agenda Date: 12/13/2018

In Control: City Council A Session

DEPARTMENT: Office of Sustainability

DEPARTMENT HEAD: Douglas Melnick, Chief Sustainability Officer, AICP, CNU-A

COUNCIL DISTRICTS IMPACTED: All

SUBJECT:

A Request for authorization to apply for Volkswagen Environmental Mitigation Trust Funds

SUMMARY:

This Ordinance authorizes City departments to submit grant applications, and accept grant funds if awarded, to the Texas Commission on Environmental Quality (TCEQ) for projects eligible through the Volkswagen (VW) Settlement Beneficiary Mitigation Plan.

BACKGROUND INFORMATION:

The Texas Commission on Environmental Quality (TCEQ) is the lead agency responsible for the administration of funds received from the settlement agreement in the litigation between the U.S. Environmental Protection Agency (EPA), the State of California, and Volkswagen (VW) and its related entities, for violation of the Federal Clean Air Act regarding nitrogen oxides emission controls on 2.0 liter and 3.0 liter diesel vehicles. The Volkswagen State Environmental Mitigation Trust (Trust) has allocated a minimum of \$209 million dollars to Texas for projects to reduce nitrogen oxides in the environment. The San Antonio area, which includes Bexar, Wilson, Comal and Guadalupe counties, has an allocation amount of \$61,585,516. The trust's share of project costs for governmental entities is 80%. TCEQ intends to make funds available through multiple grant application processes that will include a combination of first-come, first-served and competitive-selection opportunities. Grant opportunities are expected to be released later this year or in early 2019. San Antonio and Bexar County are in exceedance of federally mandated ground-level ozone standards and have until the end of 2020 to attain the standard or face stricter regulations. Nitrogen oxides (NOx) are a precursor of ground-level ozone.

ISSUE:

This funding opportunity is for the purpose of reducing NOx emissions from combustion-engine vehicles that contribute to air pollution and lead to the formation of ground-level ozone and to reduce the potential for exposure of the public to pollutants. San Antonio and Bexar County are in exceedance of federally mandated ground-level ozone standards and have until the end of 2020 to attain the standard or face stricter regulations.

The TCEQ is the lead agency responsible for the administration of funds received from the settlement agreement for Volkswagen and its related entities, for violation of the Federal Clean Air Act regarding NOx emission controls on 2.0 liter and 3.0 liter diesel vehicles. A minimum of \$209 million is available to Texas for projects to reduce NOx in the environment.

The TCEQ issued a Draft Beneficiary Plan for Texas on August 8, 2018, for public comments. The draft plan included a maximum funding amount of \$73.5 million for the San Antonio area, primarily due to the recent designation as an ozone nonattainment area. Additionally, the draft plan included a maximum reimbursement of 60% of eligible costs for governmental applicants. City staff coordinated local stakeholder and elected official efforts to submit comments and participate in several TCEQ-held public meetings in support of TCEQ's plan and requested the cost share be increased to expedite projects. The Office of Sustainability (OS) briefed the Community Health and Equity Committee on October 2, 2018, on the draft plan. Over 790 comments were received by the October 8, 2018 deadline.

The final plan, taking into consideration all public comments received, added the Austin area to the list of priority areas and readjusted the available funding amounts based on three elements: A pro-rata allocation based on the number of affected VW vehicles in each area, base funding for ozone nonattainment areas, and a strategic allocation based on where funding might best achieve mitigation plan goals. Under the final plan distribution, the San Antonio area will receive \$61,585,516.00. The trust's share of project costs for governmental entities was increased to 80%.

TCEQ intends to make funds available through multiple grant application processes that will include a combination of first-come, first-served and competitive-selection opportunities. Grant opportunities are expected to be released later this year or in early 2019. Any public agency or private business that operates emissions-producing equipment and/or vehicles may apply for funding.

City staff in Government and Public Affairs, the Office of Sustainability, and the Metropolitan Health Department will track the release of grant information and continue coordinating with local stakeholders in the identification and development of projects eligible to receive Mitigation Trust funding.

Eligible Mitigation Actions and proposed local government match requirements are:

- 50% for NEW Light-Duty EV Charging Infrastructure
 - At public place, work place or multi-unit dwellings
- 20% for Class 4-8 1992-2009 model year truck replacement or repower with an electric vehicle or engine (includes associated charging infrastructure), diesel or alternative fuel
- 20% for Class 7-8 1992-2009 model year refuse vehicle replacement or repower with an electric vehicle or engine (includes associated charging infrastructure), diesel or alternative fuel
- 20% for 2009 or earlier Class 4-8 school, transit and shuttle bus replacement or repower with an electric

vehicle or engine (includes associated charging infrastructure), diesel or alternative fuel

- 20% of Class 4-8 privately-owned school bus operated under contract with a public school district
- 20% for electric forklifts + charging infrastructure
- 20% for airport ground support equipment + charging infrastructure

Match amounts for non-governmental applicants are higher. OS, Aviation, BES and CCDO have begun identifying City-led projects, which may include:

- Replacing aging, diesel-powered medium and heavy duty COSA fleet with new diesel, alternative fuels or all-electric vehicles
- San Antonio International Airport Electric Charging Infrastructure to support carrier- owned electric vehicle ground support equipment (eGSE)
- Electric Charging Infrastructure at COSA facilities and City-managed surface parking lots

ALTERNATIVES:

Should City Council not authorize this ordinance, the potential grant funding will be distributed to other public or private grantees in the San Antonio area. Furthermore, City Departments will not be able to submit grant applications to the TCEQ for projects eligible through the VW Settlement to supplement programs to reduce nitrogen oxides in the environment.

FISCAL IMPACT:

This ordinance authorizes the submission of grant applications for the maximum amount available. Initial projections are an amount not to exceed \$4,960,000.00 from the Texas Commission on Environmental Quality for COSA fleet replacement (vehicles and equipment) projects eligible through the Volkswagen Settlement Beneficiary Mitigation Plan. This ordinance authorizes an in-kind match of up to \$1,240,000.00 from the Equipment Renewal and Replacement Fund for a total of \$6,200,000.00 to replace aging, diesel-powered trucks with new diesel, alternative fuels, or all-electric vehicles. There will be no impact to the general fund for vehicle replacements and associated charging infrastructure.

Local matching funds in the percentages listed above would be required for additional awarded projects.

RECOMMENDATION:

Approve this Ordinance authorizing City departments to submit grant applications to the Texas Commission on Environmental Quality for projects eligible through the VW Settlement Beneficiary Mitigation Plan.