



COUNCIL AGENDA: 6-28-05

ITEM: 2.54

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: William F. Sherry, A.A.E.

SUBJECT: SEE BELOW

DATE: June 23, 2005

Approved

Date

6/24/05

COUNCIL DISTRICT: Citywide

**SUBJECT: BAY AREA AIR QUALITY MANAGEMENT DISTRICT GRANT
APPLICATION FOR INCREMENTAL COSTS OF LEASING CNG
SHUTTLE BUSES**

REASON FOR ADDENDUM

In recent discussions with the Bay Area Air Quality Management District, staff was made aware that the planned purchase of 20 new CNG fueled buses is eligible for this grant, which has certain unique requirements. Unlike previous grants, the grant application must be submitted prior to the purchase of the new buses, and the application must be endorsed by means of a Council resolution prior to application. The deadline for the grant application is June 30, 2005.

RECOMMENDATION

Adoption of a Resolution authorizing the City Manager to apply to the Bay Area Air Quality Management District (BAAQMD) for a grant in the amount of up to \$1,500,000 to be used to defray the incremental costs of and other grant conditions for leasing compressed natural gas shuttle buses at the Norman Y. Mineta San José International Airport, and to accept the grant if awarded and execute all related documents.

BACKGROUND

The use of CNG Airport shuttle buses is a project that may qualify for grant funding by BAAQMD, as they encourage the use of cleaner burning fueled vehicles in the Bay Area. As a condition of an application for grant funds to defray the incremental costs between diesel fueled and CNG fueled buses, a resolution from City Council is required.

ANALYSIS

As part of on-going efforts to implement air quality initiatives that minimize pollutant emissions, the Airport will be replacing the last 20 diesel fueled shuttle buses used for the Airport's long-term parking and rental car shuttle services with 20 CNG fueled shuttle buses. In the fall of 2005, the Airport will issue a Request for Proposal for the replacement of this fleet with delivery and implementation to occur by March 2007.

The cost of the CNG buses is estimated to be approximately 20% higher than that of diesel buses. Staff proposes to apply for grant funds to recover the approximately \$1,500,000 incremental costs and other grant conditions incurred to purchase CNG fueled vehicles.

There are two primary impacting conditions associated with this grant. The first is that the grant application must precede the procurement and expenditure of funds for the CNG buses. Grant funds used for reimbursement of past expenditures are not allowed. In consideration of the timeline to procure the new buses and the time that is required for grant review and assessment, Council authorization to apply for the grant is necessary prior to June 30, 2005. The second impacting condition for the City to receive the grant funds for the incremental cost between diesel and CNG buses is the requirement to remove the existing diesel buses from service in the Bay Area or to retrofit the existing buses to add a diesel emission control strategy as certified by the California Air Resources Board. The estimated cost to retrofit the existing buses is approximately \$500,000 and can be included in the grant application for a total grant application of \$1,500,000. The City leases the existing buses from Penske, and the bus lease is currently set to expire on March 31, 2007. If the City receives the portion of the grant for the retrofit of the existing buses, the City would then use the grant funds to retrofit the existing buses.

Submittal of the grant is non-binding and merely allows the City to be a candidate for consideration of award. Upon submission, staff will work with BAAMQD to further address all grant conditions to ensure the City's ability to address the requirements of the grant and the financial viability of the grant versus any expenses required to obtain it.

OUTCOMES

The grant funding will allow for cost recovery of the incremental costs between obtaining CNG fueled buses and diesel fueled buses. The CNG buses will assist the Airport in meeting California Air Resources Board mitigation measures. The conversion of the diesel fleet to CNG will result in all Airport managed shuttle services utilizing vehicles fueled by CNG, and utilizing the Airport's CNG fueling facility.

PUBLIC OUTREACH

Not applicable

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BAAQMD Grant for Incremental Costs of Leasing CNG Shuttle Buses

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COORDINATION

This memo has been coordinated with the City Attorney's Office.

BUDGET REFERENCE

A separate action to recognize these funds will be made upon receipt of grant approval from the BAAQMD.

CEQA:

Resolution Nos. 67380 and 71451, PP 05-140

Frank Kerkula

for

William F. Sherry, A.A.E.

Director of Aviation

