TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS

DATE: JULY 22, 2002 CMR:350:02

SUBJECT: RESOLUTION AUTHORIZING THE CITY OF PALO ALTO TO SUBMIT A FUNDING APPLICATION IN THE AMOUNT OF $150,000 TO THE BAY AREA AIR QUALITY MANAGEMENT DISTRICT (BAAQMD) FOR THE PURCHASE OF THREE COMPRESSED NATURAL GAS TRUCKS AND AUTHORIZING THE CITY MANAGER TO EXECUTE A FUNDING AGREEMENT WITH THE BAAQMD IF THE APPLICATION IS APPROVED BY THE BAAQMD BOARD OF DIRECTORS

RECOMMENDATION
Staff recommends that Council:

1. Approve a resolution authorizing the City Manager to submit a funding application to the BAAQMD for the purchase of three compressed natural gas (CNG-fueled) medium-duty trucks; and

2. Authorize the City Manager to execute a funding agreement if the application is approved.

BACKGROUND
The BAAQMD administers the Transportation Fund for Clean Air (TFCA), which is funded by a $4 surcharge assessed on all Bay Area motor vehicle registrations. The vehicle surcharge generates approximately $20 million per year in TFCA revenue. Forty percent of TFCA revenues are distributed to Bay Area counties. Sixty percent of TFCA funds (the TFCA Regional Funds) are allocated by the BAAQMD through a competitive grant application process, in which the City will be participating.

DISCUSSION
Equipment Management’s continuing efforts toward the purchase of CNG-fueled fleet vehicles have diminished of late due to the difficulty in finding suitable vehicles for light duty applications. For example, no manufacturer produces a CNG-fueled compact pickup truck or compact van. Recently, medium-duty truck engine technology has developed to the point where the use of production diesel engines converted to operate on CNG fuel has become a viable option. The purchase of this type of vehicle is actually
more beneficial than the purchase of light-duty CNG-fueled vehicles, due to the fact that most medium-duty truck engines burn diesel fuel. Medium-duty diesel engines are much larger than light-duty gasoline engines, so they produce a greater amount of exhaust emissions, which are a known source of dioxin. Many light-duty gasoline engines have already achieved Low Emission (LEV) or Super Low Emission (SULEV) certification; therefore the emission advantage of CNG fuel in light-duty applications is minimal.

Equipment Management has identified two gas service trucks and a digger derrick truck scheduled for replacement in FY 2002-03 that would be ideal candidates for CNG-fueled engines. The new gas service trucks will be designed with an onboard, 185-cfm air compressor that will be powered by the truck’s CNG engine through a power takeoff. This will eliminate the need for the diesel-powered air compressors that are normally towed behind these vehicles, effectively replacing four diesel engines with two CNG engines.

The funding application the City will be submitting will request $150,000 to pay the incremental cost of installing CNG fuel systems on these vehicles. The City will be required to pay this cost at the time of purchase, and will be reimbursed by the BAAQMD after the projects are complete. The Vehicle Replacement and Maintenance Fund will pay the remainder of the replacement cost.

In order to qualify for this funding, the attached resolution must be passed and delivered to the BAAQMD no later than July 30, 2002. The BAAQMD will audit the project to insure that it was completed, and complies with the funding agreement. There is no requirement for the City auditor to audit this project.

**RESOURCE IMPACT**
Funds for the replacement of the above mentioned vehicles are included in the FY 2002-2003 Vehicle Replacement and Maintenance Fund Budget.

**POLICY IMPLICATIONS**
This recommendation is consistent with existing City policies, including the Council’s Sustainability Policy.

**ENVIRONMENTAL REVIEW**
This project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15308 (Action by Regulatory Agencies for Protection of the Environment) of the CEQA guidelines.

**ATTACHMENT**
Attachment A: Resolution

PREPARED BY: Keith La Haie, Fleet Manager, Public Works