

Agenda Date: August 16, 2018
Agenda Placement: Regular
Estimated Time: 15 Minutes
Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Aeron Arlin Genet, Air Pollution Control Officer

CONTACT: Jim Fredrickson, Supervisor, Planning Division (961-8892)

SUBJECT: Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program

RECOMMENDATION:

Approve the attached resolution resulting in the following actions:

1. Authorize the District's participation in the California Air Resources Board's (CARB) Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program; and
2. Delegate authority to the Control Officer to enter into a grant agreement with CARB for the FARMER Program.

BACKGROUND:

In September 2017, Governor Brown signed into law Assembly Bill (AB) 109 and AB 134, which appropriated \$135 million from the Fiscal Year 2017-18 state budget to the California Air Resources Board (CARB) to reduce agricultural sector emissions from criteria, toxic, and greenhouse gas pollutants by providing grants and financial incentives. CARB has developed a new pilot incentive program called FARMER to meet the emission reduction goals and objectives of AB 109 and AB 134 by specifically reducing emissions from agricultural equipment. The funding for the FARMER program comes from the Greenhouse Gas Reduction Fund, the Air Quality Improvement Fund, and the Alternative and Renewable Fuel and Vehicle Technology Fund.

DISCUSSION:

The Fiscal Year 2018-19 FARMER Program tentative funding allocation for Santa Barbara County is \$666,900. The District may use up to 12.5% of the FARMER Program funds for the administration and implementation of the program in Santa Barbara County. The District applied to CARB for the FARMER funds on April 18, 2018. With Board approval, the District will use these funds primarily in our Off-Road Equipment Replacement Program and specifically in low-income regions of the county as identified in the CalEnviroScreen 3.0 model and AB 1550. The CARB Board approved the FARMER Program guidelines on March 23, 2018 and the District will follow these guidelines for program implementation and develop a FARMER Policy and Procedure Manual. The District will work with the agricultural community to perform outreach prior to the solicitation of these funds, including providing a presentation at the Santa Barbara County Agricultural Commissioner's Agricultural Advisory Committee monthly meeting in September.

Over the past twenty years, the District has allocated over \$4 million dollars in grant funds to secure voluntary emission reductions from agricultural projects. From 1998 to 2014, the District partnered with the agricultural community to provide \$1,437,000 of grant funds to repower 95 old diesel agricultural water pumps with either new diesel water pumps or electric motors. In addition, from 2011 to 2018 the District awarded \$2,868,000 in grants to replace 38 old diesel agricultural tractors with 38 new diesel agricultural tractors.

In summary, the FARMER grant program will expand the District's reach to provide additional funds for agricultural vehicle and equipment projects, with the primary focus on off-road mobile diesel agricultural farm equipment (tractors). Staff recommends that your board approve the District's participation in the Program, accept the funds to implement the Program and authorize the Air Pollution Control Officer to enter into a grant agreement with CARB for the Program. A draft of the terms and conditions for the Program is included as Attachment 1 to the resolution.

FISCAL IMPACTS:

Approval of the District's participation in CARB's FARMER Program will allow the receipt of up to \$666,900 during the Fiscal Year 2018-19, with a portion of that funding (12.5%, \$83,362) available to cover the District's administrative work to implement the grant program. The District is not required to provide any local matching funds to receive these CARB funds. CARB requires that the FARMER funds be fully expended by June 30, 2021. The FARMER Program grant funds are included in the District's adopted budget for Fiscal Year 2018-19.

ATTACHMENT:

- A. Board Resolution - FARMER Program

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SANTA BARBARA COUNTY
AIR POLLUTION CONTROL DISTRICT**

IN THE MATTER OF PARTICIPATION IN
THE FUNDING AGRICULTURAL
REPLACEMENT MEASURES FOR
EMISSION REDUCTIONS PROGRAM

APCD RESOLUTION NO. _____

RECITALS

WHEREAS, in September 2017, Assembly Bill 134 and Assembly Bill 109 appropriated \$135 million from the state budget for Fiscal Year 2017-2018 to the California Air Resources Board for the reduction of criteria, toxic, and greenhouse gas emissions from the agricultural sector; and

WHEREAS, the California Air Resources Board developed the Funding Agricultural Replacement Measures for Emission Reductions Program (Program) and guidelines to meet the legislative objectives of Assembly Bill 134 and Assembly Bill 109 and the state's emission reduction goals. These Program guidelines identify that projects eligible under the Carl Moyer Memorial Air Quality Standards Attainment Program be eligible for funding under the Program, provided that they are engaged in agricultural operations and are considered cost-effective according to the Carl Moyer Program; and

WHEREAS, District Board Resolution 09-14 delegates authority to the Air Pollution Control Officer to execute individual grant agreements that meet specified parameters, including an authorized overall grant program with an authorized overall budget, established cost-effectiveness limits, and the use of a standard District grant agreement; and

WHEREAS, District Board Resolution 18-03 establishes cost-effectiveness limits for authorized Innovative Technology Group Carl Moyer Programs; these limits are occasionally updated by the District Board; and

APCD RESOLUTION IN THE MATTER OF PARTICIPATION IN THE
FUNDING AGRICULTURAL REPLACEMENT MEASURES FOR EMISSION
REDUCTIONS PROGRAM

WHEREAS, the Program funding is derived from the Greenhouse Gas Reduction Fund, Air Quality Improvement Fund, and the Alternative and Renewable Fuel and Vehicle Technology Fund; and

WHEREAS, the Santa Barbara County Air Pollution Control District (District) submitted an application to California Air Resources Board on April 18, 2018 requesting Program funds to implement projects in Santa Barbara County's low-income communities pursuant to the Program guidelines; and

WHEREAS, the District may use up to 12.5% of the Program funds for administrative costs of implementing the Program and is not required to provide local match funds; and

WHEREAS, the Program funds must be expended by June 30, 2021.

WHEREAS, the Program funds are included in the District's adopted budget for Fiscal Year 2018-19.

NOW, THEREFORE, IT IS HEREBY RESOLVED, as follows:

1. The Board hereby approves the Santa Barbara County Air Pollution Control District's (District) participation in the California Air Resources Board's Funding Agricultural Replacement Measures for Emission Reductions Program (Program), and the acceptance of funds allocated and awarded to the District for eligible projects and program administration in accordance with the terms and conditions of a Program grant agreement with the California Air Resources Board.
2. The District Board hereby delegates authority to the Air Pollution Control Officer to execute, on behalf of the District, Program the attached grant agreements with the California Air Resources Board, subject to review and approval by District counsel, Risk Management and the Auditor-Controller, and all other necessary documents to implement and carry out the purposes of this resolution. A draft of the terms and conditions for the

APCD RESOLUTION IN THE MATTER OF PARTICIPATION IN THE
FUNDING AGRICULTURAL REPLACEMENT MEASURES FOR EMISSION
REDUCTIONS PROGRAM

Program grant is included as Attachment 1 to this resolution. The final grant agreement shall be on the same essential terms and conditions as set forth in the draft agreement and any amendments to the draft shall be reviewed and approved by District Counsel, Risk Management and the Auditor-Controller prior to the Control Officer's execution of the grant agreement.

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PASSED, APPROVED AND ADOPTED by the Air Pollution Control District Board of
the Santa Barbara County, State of California, this 16th day of August, 2018, by the following
vote:

Ayes:

Noes:

Abstain:

Absent:

SANTA BARBARA COUNTY
AIR POLLUTION CONTROL DISTRICT

ATTEST:

AERON ARLIN GENET
Clerk of the Board

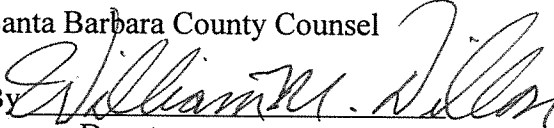
By _____
Deputy

By _____
Chair

Date _____

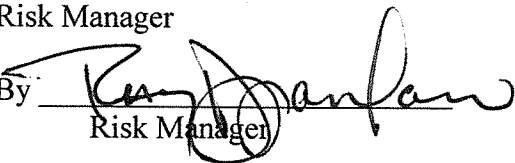
APPROVED AS TO FORM:

MICHAEL C. GHIZZONI
Santa Barbara County Counsel

By 
Deputy

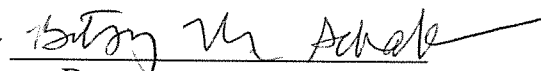
APPROVED AS TO FORM:

RAY AROMATORIO, ARM, AIC
Risk Manager

By 
Risk Manager

APPROVED AS TO FORM:

THEODORE A. FALLATI, CPA, CPFO
Auditor-Controller

By 
Deputy

GRANT PROVISIONS

I. The parties agree to comply with the requirements and conditions contained herein, as well as all commitments identified in the current Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program Guidelines (Guidelines), any future approved Guidelines, and current and future Program Advisories and Mail-outs, including all provisions, roles, and responsibilities identified.

II. Grant Summary and Amendments (If Applicable)

Program Name: FARMER Program

Total Funding: \$666,900.00

A. Alternative and Renewable Fuel and Vehicle
Technology Fund (ARFVTF) Amount:¹ \$666,900.00

III. Grant Parties And Contact Information

A. This grant is from the California Air Resources Board (hereinafter referred to as CARB or the Board) to Santa Barbara County Air Pollution Control District (hereinafter referred to as Grantee).

B. The CARB Project Liaison is Evan Powers. Correspondence regarding this project shall be directed to:

Evan Powers
California Air Resources Board
Mobile Source Control Division
P.O. Box 2815
Sacramento, California 95812
Phone: (916) 323-8967
Email: evan.powers@arb.ca.gov

¹ AB 109 (Ting, Chapter 249, Statutes of 2017), the Budget Act of 2017

The Grantee Liaison is Jim Fredrickson. Correspondence regarding this project shall be directed to:

Jim Fredrickson
Supervisor, Planning Division
Santa Barbara County Air Pollution Control District
260 N. San Antonio Road, Suite A
Santa Barbara, California 93110
Phone: (805) 961-8892
Email: fredricksonj@sbcapcd.org

IV. Time Period

- A.** Performance of work or other expenses billable to CARB under this grant may commence after full execution of this grant by both parties. Performance on this grant ends once the Grantee has submitted the final report or if the grant is terminated, whichever is earlier.
- B.** The FY 2017-18 FARMER Program funds specified in this grant agreement must be disbursed by CARB no later than May 30, 2021 and funds must be liquidated by the Grantee no later than June 30, 2021. Final disbursement requests must be received by CARB no later than **March 30, 2021** to ensure adequate time for processing prior to the end of the fiscal year.
- C.** Funds not liquidated by June 30, 2021 must be returned by **August 15, 2021**. Expenditure of project funds granted may not be reduced due to any loss incurred in an insured bank or investment account.
- D.** CARB Executive Officer retains the authority to reduce the dollar amount of this grant as stipulated in Section VI.G, Procedure for Interdistrict Redirection of Grant Funds, or reduce the dollar amount of future grants, if the Grantee is unable to adhere to the schedule in Section V.B.6.a), Project Schedule.
- E.** CARB Executive Officer retains the authority to terminate this grant for non-performance. In the event of such termination or reduction of the grant amount, Section VII, Termination and Suspension of Payments, of these provisions shall apply.

V. Duties And Requirements

This section defines the respective duties and requirements of CARB and the Grantee in implementing the FARMER Program.

A. California Air Resources Board

CARB is responsible for the following:

1. Updating and maintaining the FARMER Program Guidelines, as needed.
2. Participating in regular meetings with the Grantee to discuss project refinements and guide project implementation.
3. Reviewing and approving project elements provided by the Grantee, such as the FARMER incentives webpage, payment verification, and progress reports.
4. Review and approve Grant Disbursement Request Forms and distribute project and project implementation funds to the Grantee.
5. Providing project oversight and accountability (in conjunction with the Grantee).
6. Submitting biennial reports to the Legislature on projects funded with AB 118 funds (i.e., AQIF and ARFVTF).

B. The Grantee

The Grantee is responsible for implementation of the FARMER Program as described in the Board-approved FARMER Program Guidelines. The purpose of the FARMER Program is to reduce criteria pollutants, toxic air contaminants, and greenhouse gas emissions from the agricultural sector by providing incentives to fund vehicle and equipment projects that are used in agricultural operations. The Grantee's minimum duties and requirements include:

- Program development (e.g., developing application materials and conducting outreach);
- Implement eligible projects (e.g., review project applications; select eligible projects; and distribute payments to program participants);
- Provide program oversight;
- Establish and maintain project records;
- Report to CARB;
- Monitor projects and meet with CARB quarterly; and
- Other duties, as required.

The Grantee is responsible for the on-the-ground project implementation and distributing payments for eligible project transactions, including, but not limited to, the following tasks:

1. Program Development

- a) Develop and use language-specific materials, which may be reviewed by CARB. Language-specific materials may include, but are not limited to, the following:
 - Project application;
 - Outreach and education materials;
 - Website;
 - Eligibility requirements;
 - Terms and conditions;
 - Frequently asked questions; and
 - Contact information.
- b) Conduct public outreach, in consultation with CARB, to vehicle dealers, fleets, and agricultural end users necessary for the project to be successful, including robust outreach in disadvantaged communities.² Outreach could include the development and distribution of outreach materials, hosting public workshops or meetings, and targeted outreach and assistance for small growers.
- c) Advertise program availability, application materials, and pertinent deadlines (e.g. application deadlines, timeline for project evaluation, liquidation deadlines, and others) on the Grantee's website.
- d) Develop a FARMER Program Policies and Procedures Manual that describes the district's local implementation of the FARMER Program, including roles and responsibilities within the district and local application of FARMER Program policies. Air district staff will review the manual at least once a year and make it available when requested by CARB staff or a member of the public. At a minimum, the manual will include the following elements:
 - 1) Roles and responsibilities within the air district for program implementation, including staff or positions responsible for: responding to CARB funding solicitations; evaluation, selection, and inspection of projects; and obtaining governing board approval for program participation and projects to be funded;
 - 2) Identification of the project categories supported by the air district's FARMER Program, and the schedule for solicitation and review of applications to be submitted under these project categories;
 - 3) Procedures for project selection, including cost-effectiveness or other

² <http://www.calepa.ca.gov/EnvJustice/GHGInvest/>

criteria applied to rank projects, or whether projects are selected in order of application receipt (first-come, first-served); and any procedures that vary by project category;

- 4) Procedures for notifying successful applicants of their grant awards, and for notifying applicants who have not been awarded grants;
- 5) Where applicable, project selection procedures that ensure priority for funding projects that are within and benefitting disadvantaged communities and low-income households or communities, consistent with AB 1550 (Gomez, Chapter 369, Statutes of 2016);
- 6) The method for calculating interest earned on FARMER Program funds held by the air district;
- 7) Procedures for the Grantee to submit program invoices and receive payment, including itemization required to limit reimbursement to eligible costs, conditions for progress or partial payment, and practices for withheld payments pending participant reporting;
- 8) Methods the air district will use to verify the destruction of engines and equipment when required, consistent with FARMER Program Guidelines and current Carl Moyer Program Guidelines by source category;
- 9) Methods the air district will use to store and retrieve digital photographs documenting project inspections along with associated project-specific information;
- 10) Procedures, schedules, and required content for participant reports;
- 11) The types of acceptable documentation for establishing historical annual usage and procedures for considering and granting usage waiver requests, including supporting information to be provided by the participant;
- 12) Procedures for working with nonperforming participants to gain full compliance with contracts and program requirements;
- 13) Any air district program requirements that are more stringent than those specified in FARMER Program Guidelines and Mail-Outs;
- 14) Any CARB approvals of air district program elements that vary from those required by FARMER Program Guidelines and Mail-Outs, e.g., methods of ensuring engine or equipment destruction that vary from those specified in the Guidelines.

2. Project Implementation

- a) Ensure participating vehicle and equipment dealers, purchasers, and lessees meet all applicable FARMER Program requirements. Vehicles and equipment funded by the FARMER Program must meet all minimum eligibility requirements applicable to the project category, as described in the FARMER Program Guidelines. The Grantee must ensure all parties involved in a FARMER transaction are compliant with applicable criteria and procedures in current FARMER and Carl Moyer Program Guidelines, any future approved FARMER and Carl Moyer Program Guidelines, current and future Program Advisories and Mail-outs, and this grant agreement.
- b) Use the criteria in the FARMER and Carl Moyer Program Guidelines to review and approve or disapprove project requests and document this process in each project file.
- c) Properly notify applicants of selection results in line with funding guidelines.
- d) Provide incentive amounts consistent with the FARMER Guidelines.
- e) For projects subject to destruction or “scrap” requirements, vehicle and/or engine destruction and verification and any revenues generated from the destruction must be conducted using the appropriate procedures identified in the Carl Moyer Program Guidelines.³

3. Program Oversight

- a) Track projects for vehicles and equipment in and benefitting AB 1550 populations in a manner directed by CARB.
- b) Develop and maintain accounting procedures to track reservation and expenditures by grant award, fiscal year, project, and funding source (i.e., AQIF, GGRF, and ARFVTF).
- c) Ensure compliance with applicable requirements of:
 - Current FARMER Program Guidelines and any future approved Guidelines, and current and future Program Advisories and Mail-Outs;
 - Current Carl Moyer Program Guidelines and any future approved Carl Moyer Program Guidelines, and current and future Program Advisories and Mail-Outs; and
 - Current GGRF Funding Guidelines and any future approved GGRF Funding Guidelines.

³ <https://www.arb.ca.gov/msprog/moyer/guidelines/current.htm>

4. Establish And Maintain Project Records

As further described below, project records include, but are not limited to, Grantee, financial, and other records. All project records must be retained for the life of the project. All project records are subject to audit pursuant to Section IX, General Provisions, of this grant agreement. Upon completion of the projects, the Grantee shall submit all project records to CARB.

- a) Grantee Record: The Grantee must retain a file for the FARMER Program containing:
 - Original executed copy of the grant agreement and grant agreement amendments (if applicable);
 - Copies of Grant Disbursement Request Forms;
 - Documentation of earned interest generation and expenditure;
 - All quarterly reports;
 - All project applications received, including approved applications and applications for projects that did not receive funding;
 - Invoices from project participants for reimbursable items; and
 - All other information that documents all aspects of the project.
- b) Financial Record: Without limitation of the requirement to maintain project accounts in accordance with generally accepted accounting principles, the Grantee must:
 - Establish an official file for the FARMER Program, which shall adequately document all significant actions relative to the project;
 - Establish separate accounts, which will adequately and accurately depict all amounts received and expended on FARMER projects;
 - Establish separate accounts, which will adequately and accurately depict all income received which is attributable to the FARMER Program, including interest accrued on funds held by the District; and
 - Establish an accounting system, which will adequately depict final total costs of the FARMER Program, including both direct and indirect costs.
- c) Other Records: In addition to the records specified above, the Grantee must store all records in a safe and secure storage facility that maintains confidentiality (see Section IX, General Provisions, for more information). Files shall be retained for the life of the projects funded under this grant. The Grantee must submit all project records to CARB within 45 days after project completion, either in hard copy, or electronic file format.

5. Reporting

The Grantee must submit numbered, quarterly reports to CARB in accordance with the following schedule.

- Report 1: Covers grant execution through September 30, 2018, with the report due October 31, 2018;
- Report 2: Covers October 1, 2018 through December 31, 2018, with the report due January 31, 2019;
- Report 3: Covers January 1, 2019 through March 31, 2019, with the report due April 30, 2019;
- Report 4: Covers April 1, 2019 through June 30, 2019, with the report due July 31, 2019;
- Report 5: Covers July 1, 2019 through September 30, 2019, with the report due October 31, 2019;
- Report 6: Covers October 1, 2019 through December 31, 2019, with the report due January 31, 2020;
- Report 7: Covers January 1, 2020 through March 31, 2020, with the report due April 30, 2020;
- Report 8: Covers April 1, 2020 through June 30, 2020, with the report due July 31, 2020;
- Report 9: Covers July 1, 2020 through September 30, 2020, with the report due October 31, 2020;
- Report 10: Covers October 1, 2020 through December 31, 2020, with the report due January 31, 2021; and
- Report 11: Covers January 1, 2021 through March 31, 2021, with the report due April 30, 2021 along with the final disbursement request.

Quarterly reports must be submitted through April 30, 2021, or until all funding has been expended. These reports may also be used to accompany grant disbursement requests.

These reports must be submitted electronically, using the template provided by CARB, and at a minimum, must contain the following information:

- Report number, title of program, district name, date of submission, and project grant number;
- Summary of projects under contract since the last progress report;
- Statement of work expected to be completed by the next progress report;
- Notification of any problems encountered and an assessment of their effects on the project's outcome;
- Project data necessary to calculate emission reduction benefits, track projects that are within and benefitting AB 1550 populations, and satisfy the requirements of the FARMER Program. Project data must be submitted using the reporting template provided by CARB;

- Documentation of any project implementation funds expended during the quarter, as detailed in Section VI.F, Documentation of Project Implementation Funds; and
- If the project is behind the schedule shown in Section V.B.6.a), Project Schedule, an explanation of the reasons and a detailed explanation of how the Grantee plans to resume the schedule.

For projects with a project life that extend past April 30, 2021, districts must continue to report project data necessary to calculate emission reduction benefits and satisfy the requirements of the FARMER Program, using the reporting template provided by CARB, on an annual basis. Annual reports are due to CARB by August 29 each year and must cover data from July 1 of the previous year through June 30 of the current year.

6. Project Monitoring

a) Project Schedule

To support timely emission reductions and track progress toward statutory fund expenditure requirements, the Grantee and CARB will work together to meet recommended progress milestones as shown below. Upon grant execution, the Grantee must make every effort to meet the schedule shown below.

Table 1: Project Schedule

Date	Milestone
June 30, 2019	50 percent of project funds obligated
December 31, 2019	75 percent of project funds obligated
	25 percent of project funds expended
June 30, 2020	100 percent of project funds obligated
	50 percent of project funds expended
March 30, 2021	100 percent of project funds expended

If the Grantee falls behind and is unable to resume the schedule, CARB reserves the right to reduce the dollar amount of future FARMER Program allocations and/or redirect funds to other districts with demand as described in Section VI.G, Procedure for Interdistrict Redirection of Grant Funds.

b) Meetings with CARB

- 1) Ongoing Coordination and Review Meetings: Ongoing Grantee coordination and review meetings with the CARB Project Liaison to discuss project status may be held as often as needed, but at a minimum, quarterly. Additional meetings may be scheduled at the discretion of the CARB Project Liaison. These meetings may be conducted by phone if deemed appropriate by the CARB Project Liaison. Project coordination and review meetings are the responsibility of the Grantee and should contain:
 - Agenda for the meeting that includes the conference call information and issues to be discussed during the project update meeting;
 - Project status update;
 - Discussion of any difficulties encountered since the last project update meeting;
 - Cover the project timeline and steps needed to maintain the project timeline;
 - Discussion of project milestones and upcoming deliverables;
 - Notification of any pending disbursement requests; and
 - Scheduling the next project update meeting.
- 2) Site Visits: Site visits may be conducted by the CARB Project Liaison during the term of the grant. Site visits may include reviewing ledgers and project files and conducting a program review.

c) Technical Monitoring

- 1) Any changes in the scope or schedule for the project requires the prior written approval of the CARB Project Liaison and may require an amendment to the grant agreement.
- 2) The Grantee must notify the CARB Project Liaison in writing immediately, if any circumstances arise (technical, economic, or otherwise), which might jeopardize the expenditure of the funds.
- 3) In addition to quarterly reports (discussed in Section V.B.5., Reporting), the Grantee must provide information requested by the Project Liaison that is needed to assess progress during the grant agreement timeline.

7. Other Duties

- a) Provide data updates or project records to CARB upon request.

- b) Respond promptly to legislative requests.
- c) Closely communicate with CARB to ensure that the most current project and equipment eligibility list is being used.
- d) Respond to public inquiries regarding FARMER, including providing data summaries to the public in response to data requests.

VI. Fiscal Administration

A. Budget

1. The maximum amount of this grant is \$666,900, with \$583,537 for project funding and up to \$83,363 for project implementation costs. Under no circumstance will CARB reimburse or otherwise distribute funds to the Grantee more than this amount. A written grant agreement amendment is required whenever there is a change to the amount of this grant.
2. Project implementation funding may be reallocated to project funding in the event that the Grantee requests less funding for project implementation than the amount stated in the budget.
3. CARB reserves the right to redirect funds from the Grantee and reallocate to other districts with demand, pursuant to the schedule in Section V.B.6.a), Project Schedule, following the process outlined in Section VI.G, Procedure for Interdistrict Redirection of Grant Funds, or in the event that the Grantee informs CARB in a written letter that it will not be able to meet expenditure deadlines.
4. In the event of non-performance or termination, CARB shall require full recovery of the unspent funds by transfer upon the Grantee's accounts. The Grantee must provide fund transfer information within 45 days upon receipt of notice.

B. Program Funding

Project funds must be used for new, eligible vehicle, equipment, engine, or retrofit purchases; scrap costs for the equipment being replaced; supporting infrastructure; and any other equipment-related expenses necessary to implement FARMER Program-eligible projects.

Project implementation funds may be used for work completed in the following categories:

- Labor expenses (including total staff time and labor costs);
- External subcontractor(s) fees for completed work, if applicable;

- Printing, mailing, traveling, and other outreach expenses; and
- Other indirect costs.

FARMER Program funding may be disbursed as follows:

- Up to 50 percent for the initial disbursement with proper documentation; and
- Once 50 percent of the previous disbursement of project funds is obligated, the Grantee may request up to 50 percent or the remaining balance of program funds, whichever is less, with proper documentation.

With each disbursement request, the Grantee must provide documentation as required in Section VI.C., Grant Disbursements. Requests for project funds not yet obligated to participants require a completed Air District Advance Payment Request Form and a list of projects that the Grantee intends to fund with the disbursement. CARB will disburse project funds for the amount documented in the project list and a proportional amount of project implementation funds, up to the maximum amount specified in the above disbursement schedule.

In no event shall the Grantee receive reimbursement for costs that exceed the maximum project implementation funding amount. Any project implementation funds not needed for project implementation may be transferred to project funds upon CARB's written approval. Any program funds not fully expended by the end of the grant term must be immediately returned to CARB.

The Grantee must demonstrate the advance been expended appropriately per the Program Guidelines supplying documents required in Section VI.C., Grant Disbursements. No further advance shall be disbursed until the Grantee has fully complied with all terms of the Grant. Failure to comply shall require the Grantee to return all amounts of unapproved expenditure to CARB within 60 days of written notification.

C. Grant Disbursements

The Grantee must mail original copies of Grant Disbursement Request Forms with "wet" signatures in blue ink to the CARB Project Liaison. Requests for payment must be made with the Grant Disbursement Request Form and contain all documentation required with the form. After the initial grant disbursement request, the Grantee must include an attachment that documents ongoing expenditures of previously disbursed project and project implementation funds with each subsequent grant disbursement request.

Grant payments are subject to CARB's approval of the completed Grant Disbursement Request Form and all other required documentation. A payment will not be made if the CARB Project Liaison deems that the required documentation is incomplete or insufficient, claimed expenses are not documented, or the Grantee has not met other terms of the grant agreement.

The Chief of the Mobile Source Control Division or designee of CARB may review the Project Liaison's approval or disapproval of a Grant Disbursement Request. No payment will be made for expenses that, in the judgment of the Chief of the Mobile Source Control Division, are not reasonable or do not comply with the grant agreement.

CARB shall disburse funds in accordance with the California Prompt Payment Act, Government Code, Section 927, et seq.

D. Advance Payment

1. Consistent with the Legislature's direction to expeditiously disburse grants, CARB is providing advance payments of grant awards in a timely manner to support project initiation and implementation with a focus on mitigating the constraints of modest reserves and potential cash flow problems. Recognizing that appropriate safeguards are needed to ensure grant monies are used responsibly, CARB has developed the grant conditions described below to establish control procedures for advance payments.
2. Should advance payment be needed for FARMER Program grants, the following grant protections shall apply:
 - a) The advance payment is appropriate for the effective implementation of grants to local air districts. CARB may provide an advance of the direct project costs of the grant, including project implementation costs, if the program has moderate reserves and potential cash flow issues, as indicated on the Air District Advance Payment Request Form. Advance payments will not exceed the Grantee's interim cash needs.
 - b) The Grantee assumes legal and financial risk of the advance payment.
 - c) The Grantee shall place funds advanced under this section in an interest-bearing account. The Grantee shall track interest accrued on the advance payment. Interest earned on the advance payment shall only be used for eligible grant-related expenses as outlined in the Grant Provisions, Exhibit A or will be returned to CARB.
 - d) The Grantee shall report to CARB the value of any unused balance of the advance payment and interest earned and submit quarterly fiscal accounting reports consistent with Section V.B.5, Reporting, of this grant agreement.
 - e) Should the Grantee and CARB determine that a redirection of funds to another district is necessary in accordance with Section VI.G, Procedure for Interdistrict Redirection of Grant Funds, the Grantee must still

demonstrate to CARB that any advance payment has been expended appropriately per the Program Guidelines, supplying documentation required in accordance with Section VII.C, Grant Disbursements. No further advance payment shall be disbursed until the Grantee has fully complied with all terms of the grant.

- f) The Grantee shall remit to CARB any unused portion of the advance payment and interest earned within 45 days following the final disbursement request deadline of March 30, 2021.
3. The Grantee must complete and submit to CARB for review and approval, an Air District Advance Payment Request Form, along with each grant disbursement that is requesting advance payment.

E. Earned Interest

1. The Grantee must track interest accrued on any funds received. Interest earned on disbursements shall only be used for eligible grant-related expenses or returned to CARB.
2. "Earned interest" means any interest earnings generated from grant funds held by the Grantee in interest-bearing accounts.
 - a) Funds are required to be held in an interest bearing account and when interest is earned by the Grantee on the project, the earnings must be reported to CARB. All interest income on FARMER Program funds must be reinvested in and used by FARMER projects or returned to CARB. Interest earned that is reinvested in projects is not included as part of the total grant amount from CARB. The Grantee is responsible for reporting to CARB all project expenditures funded with interest earned on the project funds.
 - b) The Grantee must maintain accounting records (e.g., general ledger) that tracks interest earned, expended, or returned on the project funds, as follows:
 - 1) The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method.
 - 2) Interest earned must ensure that it is separately identifiable from interest earned on non-project funds.
 - 3) The methodology for calculating earned interest must be consistent with how it is calculated for the Grantee's other fiscal programs.
 - 4) Documentation of interest earned and expenditures made on those

funds or returned to CARB must be:

- i. Retained for a minimum of three years after it is generated.
- ii. Provided to CARB in quarterly reports.

F. Documentation of Project Implementation Funds

1. Project implementation costs are defined in the FARMER Program Guidelines.
2. The Grantee must maintain documentation of all project implementation funds, including the following:
 - a) Personnel documentation must make use of timesheets or other labor tracking software. Duty statements or other documentation may also be used to verify the number of staff and actual hours or percent of time staff devoted to project implementation;
 - b) Implementation funds for subcontractor(s) must be documented with copies of the contract and invoices;
 - c) Printing, mailing, records retention, and travel expenses must be documented with receipts and/or invoices;
 - d) Any reimbursement for necessary travel and per diem must be at rates not to exceed those amounts paid to the State's represented employees. No travel outside the State of California will be reimbursed unless prior written authorization is obtained from CARB. CalHR's travel and per diem reimbursement amounts may be found online at <http://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx>. Reimbursement must be at the State travel and per diem amounts that are current as of the date costs are incurred by the Grantee; and
 - e) If project implementation funds are used for indirect costs, the Grantee must document and describe how these costs are determined.
3. The above documentation, records, and referenced materials must be made available for review during monitoring visits and audits by CARB, or its designee. These records must be retained for the life of the projects funded under this grant.
4. The above documentation must be provided to CARB in quarterly reports, Grant Disbursement Requests, and throughout the term of the grant agreement.

G. Procedure for Interdistrict Redirection of Grant Funds

In the event that the Grantee falls behind schedule and is unable to resume the schedule shown in Section V.B.6.a), Project Schedule, CARB reserves the right to redirect funds to other districts with demand and/or impact future allocations. To facilitate district-to-district redirection of FARMER Program funds and ensure an appropriate audit trail when grant funds are redirected to another air district, the following conditions apply:

1. Resolutions or minute orders from both districts that show Board approvals of the redirection must be provided to CARB.
2. A Memorandum of Understanding (MOU) between the two districts addressing the items listed below must be provided to CARB. This can take the form of a letter signed by both district Air Pollution Control Officers (APCO) that:
 - a) Spells out the details and conditions of the redirection of funds.
 - b) Confirms that the transferring district remains formally liable to CARB for the transferred funds. However, the receiving district must indemnify and hold harmless both the transferring district and CARB.
 - c) Identifies the funding year and the associated expenditure deadline of the redirected funds.
 - d) Specifies how and when the payment will be made from the Grantee district to the Sub-Grantee district that is receiving funds; CARB will only disburse to the Grantee district.

VII. Termination and Suspension of Payments

- A.** CARB reserves the right to terminate this grant upon thirty days' written notice to the Grantee. In case of early termination, the Grantee will submit a Grant Disbursement Request Form and a quarterly report covering activities up to, and including, the termination date, and following the requirements specified herein and in Section IX, General Provisions, of these provisions and immediately return remaining funds, including any earned interest.
- B.** CARB reserves the right to issue a grant suspension order in the event that a dispute should arise. The grant suspension order will be in effect until the dispute has been resolved or the grant has been terminated. If the Grantee chooses to continue work on the project after receiving a grant suspension order, the Grantee will not be reimbursed for any expenditure incurred during the suspension in the event CARB terminates the grant. If CARB rescinds the suspension order and does not terminate the grant, CARB at its sole discretion

will reimburse the Grantee for any expenses incurred during the suspension that CARB deems reimbursable in accordance with the terms of the grant.

VIII. Oversight and Accountability

- A. The Grantee will comply with all oversight responsibilities identified in the Farmer Program Guidelines, any future Program Advisories and Mail-Outs, and this grant agreement.
- B. CARB or its designee reserves the right to audit at any time during the duration of this grant the Grantee's costs of performing the grant and to refuse payment of any reimbursable costs or expenses that in the opinion of CARB or its designee are unsubstantiated or unverified. The Grantee shall cooperate with CARB or its designee including, but not limited to, promptly providing all information and documents requested, such as all financial records, documents, and other information pertaining to reimbursable costs, and any matching costs and expenses.
- C. CARB or its designee may recoup funds which were received based upon misinformation or fraud, or for which a Grantee, manufacturer or project participant is in significant or continual non-compliance with the terms of this grant or State law. CARB also reserves the right to prohibit any entity from participating in the FARMER Program, due to non-compliance with project requirements.

IX. General Provisions

- A. **Amendment:** No amendment or variation of the terms of this grant agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in the grant agreement is binding on any of the parties.
- B. **Assignment:** This grant is not assignable by the Grantee, either in whole or in part, without the consent of CARB in the form of a formal written amendment.
- C. **Availability of funds:** CARB's obligations under this grant agreement are contingent upon the availability of funds. In the event funds are not available, the State shall have no liability to pay any funds whatsoever to the Grantee or to furnish any other considerations under this grant agreement.
- D. **Audit:** The Grantee agrees that CARB, the Department of General Services, Department of Finance, State Controller's Office, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this grant and all State funds received. The Grantee agrees to maintain such records for possible audit for the life of the projects funded under this grant,

unless a longer period of records retention is stipulated. The Grantee agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, the Grantee agrees to include similar right of the State to audit records and interview staff in any subgrant or subcontract related to performance of this agreement.

- E. Compliance with law, regulations, etc.:** The Grantee agrees that it will, at all times, comply with and require its contractors and subcontractors to comply with all applicable federal and State laws, rules, guidelines, regulations, and requirements.
- F. Computer software:** The Grantee certifies that it has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this grant agreement for the acquisition, operation, or maintenance of computer software in violation of copyright laws.
- G. Confidentiality:** No record which has been designated as confidential by CARB shall be disclosed by the Grantee. If CARB opts to maintain the confidentiality of a document, and the entity requesting the records seeks a judicial ruling challenging that determination, CARB will defend the action at its own expense, including any requirement to pay attorney fees and court costs.
- H. Conflict of interest:** The Grantee certifies that it is in compliance with applicable State and/or federal conflict of interest laws.

The Grantee may have no interest, and must not acquire any interest, direct or indirect, which will conflict with its ability to impartially complete the tasks described herein. The Grantee must disclose any direct or indirect financial interest or situation which may pose an actual, apparent, or potential conflict of interest with its duties throughout the grant term. CARB may consider the nature and extent of any actual, apparent, or potential conflict of interest in the Grantee's ability to perform the grant.

The Grantee must immediately advise CARB in writing for any potential new conflicts of interest throughout the grant term.

- I. Disputes:** The Grantee shall continue with the responsibilities under this grant agreement during any dispute. Grantee staff or management may work in good faith with CARB staff or management to resolve any disagreements or conflicts arising from implementation of this grant agreement. However, any disagreements that cannot be resolved at the management level within 30 days of when the issue is first raised with CARB staff shall be subject to resolution by the CARB Executive Officer, or his designated representative. Nothing contained in this paragraph is intended to limit any rights or remedies that the parties may have under law.

- J. Environmental justice:** In the performance of this grant agreement, the Grantee shall conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the State.
- K. Fiscal management systems and accounting standards:** The Grantee agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit tracing of grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of State law or this grant agreement. Unless otherwise prohibited by State or local law, the Grantee further agrees that it will maintain separate Project accounts in accordance with generally accepted accounting principles.
- L. Force majeure:** Neither CARB nor the Grantee shall be liable for or deemed to be in default for any delay or failure in performance under this grant agreement or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, etc.
- M. Governing law and venue:** This grant is governed by and shall be interpreted in accordance with the laws of the State of California, CARB and the Grantee hereby agree that any action arising out of this grant agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California, or in the United States District Court in and for the Eastern District of California. The Grantee hereby waives any existing sovereign immunity for the purposes of this grant agreement.
- N. Grantee's responsibility for work:** The Grantee shall be responsible for work and for persons or entities engaged in work, including, but not limited to, contractors, subcontractors, suppliers, and providers of services. The Grantee shall be responsible for any and all disputes arising out of its contract for work on the Project, including but not limited to payment disputes with contractors, subcontractors, and providers of services. The State will not mediate disputes between the Grantee and any other entity concerning responsibility for performance of work.
- O. Indemnification:** The Grantee agrees to indemnify, defend and hold harmless the State and the Board and its officers, employees, agents, representatives, and successors-in-interest against any and all liability, loss, and expense, including reasonable attorneys' fees, from any and all claims for injury or damages arising out of the performance by the Grantee, and out of the operation of equipment that is purchased with funds from this grant award.

- P. Independent Contractor:** The Grantee, and its agents and employees, if any, in their performance of this grant agreement, shall act in an independent capacity and not as officers, employees or agents of CARB.
- Q. Nondiscrimination:** During the performance of this grant agreement, the Grantee and its third party entities shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (e.g., cancer), age (over 40), sexual orientation, marital status, or allow denial of family care leave, medical-care leave, or pregnancy-disability leave. The Grantee and its third party entities shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The Grantee and its third party entities shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The Grantee and its third party entities shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. The Grantee shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this grant agreement.
- R. No third party rights:** The parties to this grant agreement do not create rights in, or grant remedies to, any third party as a beneficiary of this grant agreement, or of any duty, covenant, obligation or undertaking established herein.
- S. Personally Identifiable Information:** Information or data, including, but not limited to, records that personally identify an individual or individuals are confidential in accordance with California Civil Code sections 1798, et seq. and other relevant State or Federal statutes and regulations. The Grantee must safeguard all such information or data which comes into their possession under this agreement in perpetuity, and must not release or publish any such information, data, or financing assistance records.
- T. Prevailing wages and labor compliance:** If applicable, the Grantee agrees to be bound by all the provisions of State Labor Code Section 1771 regarding prevailing wages. If applicable, the Grantee shall monitor all agreements subject to reimbursement from this grant agreement to ensure that the prevailing wage provisions of State Labor Code Section 1771 are being met.

- U. Professionals:** For projects involving installation or construction services, the Grantee agrees that only licensed professionals will be used to perform services under this grant agreement where such services are called for and licensed professionals are required for those services under State law.
- V. Severability:** If a court of competent jurisdiction holds any provision of this grant agreement to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of those provisions, will not be affected.
- W. Termination:** CARB may terminate this grant agreement by written notice at any time prior to completion of projects funded by this grant agreement, upon violation by the Grantee of any material provision after such violation has been called to the attention of the Grantee and after failure of the Grantee to bring itself into compliance with the provisions of this grant agreement.
- X. Timeliness:** Time is of the essence in this grant agreement. The Grantee shall proceed with and complete the Project in an expeditious manner.
- Y. Waiver of Rights:** Any waiver of rights with respect to a default or other matter arising under the grant agreement at any time by either party shall not be considered a waiver of rights with respect to any other default or matter. Any rights and remedies of the State provided for in this grant agreement are in addition to any other rights and remedies provided by law.
- Z. Incorporated Documents:** The Grantee is authorized to administer a local program according to the requirements described in the following documents, which are incorporated as part of this grant agreement:
- FARMER Program Guidelines and any future approved Guidelines, current Program Advisories and Mail-outs, and future Program Advisories and Mail-outs issued during the grant performance period; and
 - Carl Moyer Program 2017 Guidelines and any future approved Carl Moyer Program Guidelines, current Program Advisories and Mail-outs, and future Program Advisories and Mail-outs issued during the grant performance period.