BAY AREA AIR QUALITY MANAGEMENT DISTRICT

BOARD OF DIRECTORS
MOBILE SOURCE COMMITTEE

COMMITTEE MEMBERS

SCOTT HAGGERTY - CHAIRPERSON	TIM SMITH – VICE CHAIRPERSON
JERRY HILL	PATRICK KWOK
JAKE McGOLDRICK	NATE MILEY
JOHN SILVA	PAMELA TORLIATT
SHELIA YOUNG	

THURSDAY
FEBRUARY 10, 2005 — **FOURTH FLOOR CONFERENCE ROOM**
9:30 A.M. — **DISTRICT OFFICES**

AGENDA

1. **CALL TO ORDER - ROLL CALL**

2. **PUBLIC COMMENT PERIOD** (*Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3*) *Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Committee's subject matter jurisdiction. Speakers will be limited to three (3) minutes each.*

3. **APPROVAL OF MINUTES OF DECEMBER 6, 2004**

4. **PROPOSED REVISIONS TO TRANSPORTATION FUND FOR CLEAN AIR (TFCA) POLICIES AND EVALUATION CRITERIA FOR FY 2005/2006** — **J. Roggenkamp/4646**
   jroggenkamp@baaqmd.gov

   Consider recommending Board of Directors' approval of proposed revisions to TFCA Policies and Evaluation Criteria to govern allocation of FY 2005/2006 TFCA funds.

5. **REALLOCATION OF A PORTION OF THE 2004 LOWER-EMISSION SCHOOL BUS PROGRAM FUNDS** — **J. Roggenkamp/4646**
   jroggenkamp@baaqmd.gov

   Consider recommending Board of Directors' approval of the reallocation of Lower-Emission School Bus Program funds.

6. **IMPLEMENTATION OF THE YEAR 7 CARL MOYER PROGRAM FUNDS IN THE SAN FRANCISCO BAY AREA** — **J. Roggenkamp/4646**
   jroggenkamp@baaqmd.gov

   Consider authorizing the Air District's continued participation in implementing the California Air Resources Board FY 2004/2005 Carl Moyer Program in the San Francisco Bay Area.

7. **AMENDMENT TO TRANSPORTATION FUND FOR CLEAN AIR (TFCA) ALAMEDA COUNTY PROGRAM MANAGER EXPENDITURE PROGRAM.** — **J. Roggenenkamp/4646**
   jroggenkamp@baaqmd.gov

   Consider recommending Board of Directors' approval of an amendment to the TFCA Alameda County Program Manager Expenditure Program for FY 2004/05.

8. **COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

Any member of the Committee, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).

9. **TIME AND PLACE OF NEXT MEETING: 9:30 a.m., MARCH 10, 2005, 939 ELLIS STREET, SAN FRANCISCO, CA**

10. **ADJOURNMENT**

CONTACT CLERK OF THE BOARDS - 939 ELLIS STREET **(415) 749-4965**
SAN FRANCISCO, CA 94109 **FAX: (415) 928-8560**
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Clerk's Office should be given at least three working days prior to the date of the meeting so that arrangements can be made accordingly.

AGENDA NO. 3

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET
SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000

DRAFT MINUTES

Summary of Board of Directors
Mobile Source Committee Meeting
9:30 a.m., Monday, December 6, 2004

1. **Call to Order – Roll Call:** Chairperson Shelia Young called the meeting to order at 9:37 a.m.

   Present: Shelia Young, Chairperson; Roberta Cooper, Jerry Hill, Nate Miley (10:01 a.m.), John Silva.

   Absent: Jake McGoldrick, Julia Miller, Tim Smith, Pam Torliatt.

   Also Present: Scott Haggerty.

2. **Public Comment Period:** There were no public comments.

3. **Approval of Minutes of October 14, 2004:** Director Silva moved approval of the minutes; seconded by Director Cooper; carried unanimously without objection.

4. **Transportation Fund for Clean Air (TFCA) Additional Regional Fund Grant Awards for FY 2004/2005:** *The Committee considered recommending Board of Directors' approval of additional TFCA Regional Fund grant awards for Fiscal Year 2004/2005.*

   Juan Ortellado, Grant Programs Manager, presented the report and provided background information on the program. Mr. Ortellado explained that at the October Committee meeting, staff requested additional time to revisit three applications and the Committee requested staff to revisit one application. Staff has obtained additional information on the projects and has reevaluated the applications.

   Mr. Ortellado reported that there would be a combined total of 15.54 tons of emissions reduction over the life of the projects and a combined cost effectiveness of $34,794 per ton of emissions reduction. Staff recommended Board approval of additional fiscal year 2004/05 TFCA Regional fund grant awards listed on Table 2 of the corresponding staff report, included in the Committee packet, totaling $540,705.

   In response to a question from Chairperson Young on the City of Sunnyvale project, Jean Roggenkamp, Deputy APCO, stated that at the last Committee meeting, staff recommended approval of the project at a lower dollar amount; $58,100 instead of the $130,560 requested. Ms. Roggenkamp stated that a meeting was held with City of Sunnyvale staff to discuss the project. Additional information was then provided by City of Sunnyvale staff regarding trip distance; the project is adjacent to light rail stations; and it is also near a school. Ms. Roggenkamp stated that with the revised assumptions, the project meets the appropriate TFCA criteria for the full funding level.

There was discussion on the possibility of a separate category for traffic calming projects. The Committee determined the City of Sunnyvale in-pavement crosswalk warning lights project would not be recommended for funding.

Committee Action: Director Haggerty moved that the Committee recommend the Board approve the three airport shuttle projects designated as 04R10; 04R11; and 04R24; seconded by Director Cooper.

There was considerable discussion on how the funds are used and the possibility of a clean air program in the schools instead of traffic calming projects. The Committee discussed the possibility of not funding some types of traffic calming projects in the future. Ms. Roggenkamp mentioned that the new policies and guidelines will be brought back to the Committee next year and these issues can be addressed at that time.

The motion then passed unanimously without objection.

The Committee requested staff contact the City of Sunnyvale and the Board member to advise them that there are other means of funding for this type of project.

Director Miley arrived at 10:01 a.m.

5. **Expenditure Plan for Motor Vehicle Registration Surcharge:** *The Committee considered recommending Board of Directors' approval and forwarding to the California Department of Motor Vehicles (DMV) a resolution requesting the collection of an additional $2 fee from motor vehicles registered within the Air District's jurisdiction for an expanded Carl Moyer Program.*

Mr. Ortellado presented the report and reviewed the background of the Carl Moyer Program, which has been in place since fiscal year 1998/99. Assembly Bill (AB) 923 was recently signed by the Governor and allows local air districts to increase motor vehicle registration fee surcharges from $4 to $6 to fund additional grant programs. The increased surcharge would generate approximately $11 million annually.

Mr. Ortellado noted that a Board-approved resolution requesting the collection of the surcharge effective April 1, 2005 would be sent to the DMV prior to January 1, 2005. Mr. Ortellado reviewed the types of projects that would be eligible for this funding and noted it is expected that these projects would result in a significant air quality benefit. Through AB 923, the focus of the grants would be expanded to include projects that reduce hydrocarbon and particulate matter emissions. In the past, the focus of the Carl Moyer Program has been the reduction of NOx emissions. Staff recommended Board approval of the expenditure plan for the $2 increase in the motor vehicle registration fee surcharge within the Bay Area Air District.

There was considerable discussion on what can be done with old school buses that are replaced and it was determined further discussions would take place when the staff brings the policies and guidelines back to the Committee for approval. There was also discussion on solid waste transfer stations trucks and the Committee requested staff research the feasibility of funding for the these vehicles.

Director Haggerty requested a breakdown of what is considered off-road equipment and what is considered on-road heavy-duty vehicles, which was clarified by Jack Broadbent, Executive Officer/APCO.

Committee Action: Director Haggerty moved that the Committee recommend the Board approve the staff recommendation for the expenditure plan for the $2 increase in the motor vehicle registration fee surcharge within the Bay Area Air Quality Management District; seconded by Director Hill; carried unanimously without objection. The Committee directed staff to report back to the Mobile Source Committee on the questions and suggestions the Committee discussed.

6 Committee Member Comments/Other Business: There were none.

7 Time and Place of Next Meeting: 9:30 a.m., Thursday, January 13, 2005, 939 Ellis Street, San Francisco, CA 94109

8. Adjournment: 10:30 a.m.

Mary Romaidis
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter-Office Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Gary Kendall
Acting Director of Planning and Research

Date: February 3, 2005

Re: Proposed Revisions to Transportation Fund for Clean Air (TFCA) Policies and Evaluation Criteria for Fiscal Year 2005/06

RECOMMENDED ACTION:

Recommend Board approval of the proposed Fiscal Year (FY) 2005/06 TFCA Policies and Evaluation Criteria.

BACKGROUND

The Air District's Board of Directors (Board) has adopted policies and evaluation criteria that govern the allocation of TFCA funds to cost-effective projects. Prior to each annual funding cycle, the Air District considers revisions to the TFCA policies and evaluation criteria. On November 29, 2004, Air District staff issued a request for comments on proposed revisions to the TFCA policies and evaluation criteria for the FY2005/06 funding cycle. The deadline for interested parties to submit comments was December 14, 2004. Nine interested parties submitted comments by letter or e-mail in response to the Air District's request for comments. A table summarizing the comments received and staff responses is provided in Attachment A. Where appropriate, staff revised the proposed policies to address the comments received and made some additional changes that were not in the original proposed revisions.

DISCUSSION

On the whole, the existing TFCA policies and evaluation criteria are working well. Staff does not propose any changes to the TFCA Regional Fund evaluation criteria for the FY 2005/06 cycle.

Proposed revisions to the TFCA policies are presented in ~~strikeout~~ / underline format in Attachment B. Brief explanations for the changes appear in the text of Attachment B in *italic* font.

Most of the proposed changes to TFCA policies are minor administrative improvements or editorial and formatting changes to improve the organization and clarity of existing policies. A brief discussion of the more substantive proposed policy revisions is provided below. Substantive proposed changes include revisions to Policies #2, #7, #11 (now #10), #23 (now #22), #33 (now #32), and #38 (now #37).

Proposed Policy # 2: The Mobile Source Committee (Committee) has expressed concern that individual projects with a very high cost per ton of emissions reduced have been funded through the County Program Manager funds under the aggregate cost-effectiveness calculation allowed for the Program Manager expenditure plans. Staff met with the directors of the Congestion Management Agencies (Program Managers) to discuss this issue. The County Program Managers understand the issue and expressed a desire to continue discussions with staff on this issue prior to the Committee's action. After the meeting with the County Program Managers, the San Mateo County Congestion Management Agency sent a letter, included as Attachment C, suggesting the retention of the $90,000/ton of emissions reduction aggregate cost effectiveness with the condition that no single project exceed 150% of that threshold. Based on the Committee's concern and the need to adopt policies governing the FY 2005/06 funding cycle, staff recommends that the cost-effectiveness threshold for the County Program Manager funds be conformed to what currently governs the Regional Fund: an individual project threshold of $90,000/ton of emissions reduction.

Proposed Policy # 7: The current policy stipulates that applications that request more than $100,000 in TFCA funds must provide matching funds that equal or exceed 20% of the total project cost. Staff recommends that these figures be revised to $150,000 and 10%, respectively to provide additional flexibility to project sponsors.

Proposed Policy # 11: Staff recommends that the maximum of TFCA Regional Funds that can be awarded to a single project in a fiscal year be expanded from $1 million to $1.5 million to provide additional flexibility to project sponsors.

Proposed Policy # 22: The California Health and Safety Code limits administrative costs to a maximum of 5% of the total TFCA funds received annually. Interest earned on the unexpended TFCA County Program Manager funds from prior years should be excluded from this calculation. This change would prevent interest income from being included in the total TFCA funds budgeted for administrative costs.

Staff also considered recommendations provided by an independent firm that completed an audit of TFCA County Program Manager projects recently. One of the auditor's recommendations was that the District reconsider allowing reimbursement of indirect costs through the TFCA program. This recommendation was based on the difficulty in evaluating, monitoring and auditing this cost component. Staff recommends that indirect costs continue to be allowed as a TFCA cost item provided that: a) the indirect costs are requested and justified in writing along with the grant application (Regional Fund) or expenditure plan (Program Manager Fund) and are approved by the Air District, and b) the combination of all administrative costs, including direct and indirect costs, does not exceed the maximum allowed cap of 5% of the total TFCA funds received.

Proposed Policy # 32: The current policy specifies that the sum of all heavy-duty diesel projects in a fiscal year shall not exceed 20% of the Regional Funds available for that fiscal year. Experience during the past two TFCA funding cycles indicates that cap is not needed. In the two funding cycles that heavy-duty diesel engine emissions reduction projects have been eligible for funding, experience indicates that heavy-duty diesel projects have not had a negative impact on funding for cost-effective natural gas vehicle projects. Additional comments received on the changes proposed by staff for this policy were addressed by a modification of the proposed language.

Proposed Policy # 37: The Committee has expressed concerns about the cost-effectiveness of pedestrian projects and the difficulty in quantifying the emissions reduction benefits of such projects. At the direction of the Committee, staff recommends that pedestrian projects not be eligible for TFCA funding. A letter to the Committee's Chairperson, sent by the Directors of the Congestion Management Agencies, to express support for the continuation of TFCA funding of pedestrian projects is included as Attachment D.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. Approval of the recommended policy changes will have no material impact on the District's budget. TFCA revenues come from a dedicated external funding source. TFCA allocations do not impact the District's general fund or operating budget.

Respectfully submitted,

Gary Kendall
Acting Director of Planning and Research

FORWARDED: ____________________________

Prepared by: Juan Ortellado
Reviewed by: Gary Kendall

Attachments

ATTACHMENT A
DRAFT TFCA FY 2005/06 POLICIES AND CRITERIA – COMMENTS RECEIVED AND STAFF RESPONSES

Name and Title of Signer Agency or Entity	Comments	Staff Response
Shanna O'Hare Senior Transportation Planner, Public Works Agency, City of Oakland	"Open the door" for other demonstration or innovative projects that don't fit within existing TFCA categories but which clearly demonstrate motor vehicle emissions reductions (e.g., central cashiering system proposed by the City of Oakland, which would improve idle vehicle emissions in the City's parking garage)	This would require legislative changes rather than changes in the TFCA policies, and more analysis in that context.
Sam Altshuler, PE Senior Program Manager, Clean Air Transportation Group, PG&E	**Policy #33, Reducing Emissions from Existing Heavy-Duty Diesel Engines**: b) 4) Reference is made to the CARB standard of a 20% limit NO2 slip limit for diesel DPFs. We expect CARB to continue to perfect and evolve a limit for NO2 emissions. It is possible that CARB may impose a standard based on g/bhp-hr rather than percent slip of NO2. Accordingly, we recommend that your language be broadened to include any language that the ARB comes up with and not be confined to the 20% slip concept. E.g. ***"Diesel emission control strategies must meet future limits imposed by CARB for NO2 emissions currently under review and development by CARB."*** c) 3) You have proposed eliminating the 20% cap for heavy-duty diesel projects. As you are aware, considerable effort and discussion occurred on this subject in the past two years because of the concerns of the cities and counties that have used TFCA funds to expand their use of natural gas in vehicles and the infrastructure needed to fuel these vehicles. These concerns still exist. We believe that a 50% cap limit for diesel projects would be appropriate to adopt. Such a limit would be a fair compromise and would also provide an equal incentive and	District staff will address this comment by revising the proposed policy language as follows: *Diesel emissions control strategies must meet the applicable CARB standard for NO_2 emissions when the standard is put into effect and strategies are available that meet the standard.* Staff does not believe that a cap on the percentage of funds that can be awarded to diesel projects is necessary. In the two years (TFCA funding cycles) heavy-duty diesel engine emissions reduction projects have been eligible for funding, experience indicates that this has not had a negative impact on funding for cost-effective natural gas vehicle projects. CARB has determined that combustion (tailpipe) PM

	disincentive to both the diesel and natural gas stakeholders. Mention is also made of aligning the TFCA program with the Carl Moyer program. As you are aware, CARB is currently revising the criteria for the Carl Moyer program to include a cost benefit analysis for PM. We imagine that this will be folded into the TFCA program as well. Beyond that, we believe that all criteria pollutants should be included in the emissions cost benefit analysis. This would include the addition of NO2 and SO2 with appropriate weighting factors. These factors could include mathematical plus and minus signs depending on whether or not a project caused decreases or increases in various emissions. For example, DPFs, while reducing PM emissions (yielding a cost benefit for PM), also cause NO2 emissions to be increased (a cost disbenefit). The cost effectiveness calculation should account for this.	emissions shall be weighted by a factor of 10 in calculating cost-effectiveness for Year 7 Moyer projects (see Carl Moyer Program Advisory 05-001, Revised Cost-Effectiveness Calculation, issued December 20, 2004). Air District staff is considering revising the TFCA worksheets used to calculate emission reductions and cost-effectiveness for TFCA projects to incorporate this change, consistent with CARB's approach. The Air District follows CARB guidance in terms of emission factors and methodologies to calculate mobile source emission reductions. If CARB provides direction to include NO_2 and SO_2 in the calculation of emission reductions, the Air District will consider making this change.
	Current TFCA guidelines allow for the funding of clean fuels subject to approval and verification/certification by CARB. Essentially, this seems to allow the funding for PURINOX, FTD, natural gas, and perhaps propane. With respect to natural gas, further guidance is needed to define what incremental costs could be covered. Generally, uncompressed natural gas is cheaper than diesel fuel though the cost of compression and the less efficient natural gas engine could result in a higher fuel cost than the equivalent diesel engine. CNG provided by third party providers can have added costs that could be covered by the TFCA program similar to other alternative fuels. The TFCA program should include full incremental increased operating fuel cost for CNG or LNG. This would be above and beyond covering the incremental cost of the natural gas engine and	The TFCA program policies have required grants to cover the higher incremental cost associated with the purchase of natural gas engines. The intent of Policy 33(c) is to achieve emission reductions by funding a different project type; i.e., by funding the incremental cost of clean fuels or additives that are verified for use in existing heavy-duty diesel engines. This policy is not intended to provide TFCA funding for incremental increased costs for natural gas fuel, since TFCA already provides funding to cover the incremental cost of the natural gas engine at the time of purchase.

	not overlap with program funds used to build CNG stations.	
Jane Shinn Management Analyst, Highway Project Development and Administration, Valley Transportation Authority	**Proposed Policy #13: Project Cost Effectiveness** BAAQMD Proposed Language: "*For Program Manager Funds, project revisions must be reviewed and approved by the Air District. The revised project must maintain an aggregate cost effectiveness of less than $90,000 per ton. Project revisions that result in higher aggregate cost effectiveness for the year in which the project was originally approved will not be accepted*." VTA Comment: As currently proposed, Policy #13 limits project revisions to those that either (a) decrease or do not affect the aggregate cost per ton of reduced emission. As stated in the policy, the maximum aggregate cost per ton for a county's annual TFCA Program Manager program is $90,000. BAAQMD should accept any project revision that does not cause the aggregate cost per ton to exceed $90,000, regardless of whether it causes an increase or a decrease. **Proposed Policy #23: Indirect Costs (NOW DELETED)** BAAQMD Proposed Language: *Indirect costs are not eligible for reimbursement with TFCA funds.* VTA Comment: Provide clear direction on what constitutes "Indirect Expenses".	For the Program Manager Fund expenditure plans, District staff recommends that, in order to be approved, individual projects (with specific exceptions, such as infrastructure projects) shall comply with the same cost-effectiveness threshold of $90,000/ton of emissions reduction currently required for individual Regional Fund projects. If this staff recommendation is approved, the aggregate cost-effectiveness requirement for Program Manager expenditure plans will be eliminated. Indirect costs are the reasonable overhead costs incurred to provide a physical place of work and to perform general support services and oversight related to the TFCA-funded project. Examples include rent, utilities, office supplies, computer, payroll, reproduction, mailroom support staff, and management oversight. Although the Health and Safety Code is silent on the issue of indirect costs, Air District staff recommends that

		indirect costs be considered eligible for reimbursement with TFCA funds provided the project sponsor or Program Manager requests and justifies the reimbursement in the grant application (Regional Fund) or expenditure program (Program Manager Fund), and all administrative costs combined, including direct and indirect costs, do not exceed the 5% cap established by the Health and Safety Code.
	Proposed Policy #24: Expend Funds within Two Years (NOW POLICY #23) BAAQMD Proposed Language: *Program Managers may approve no more than two (2) one (1) year schedule extensions for a project. A third schedule extension for a project can only be given if written approval is received by the Program Manager from the Air District.*	
	VTA Comment: The proposed limitation on extensions is contrary to the language of Health and Safety Code Section 44242 (d) which states that: "Any agency which receives funds pursuant to Section 44241 shall encumber and expend the funds within two years of receiving the funds unless an application for funds pursuant to this chapter states that the project will take a longer period of time to implement and is approved by the district or the agency designated pursuant to subdivision (e) of Section 44241. In any other case, the district or agency may extend the time beyond two years, if the recipient of the funds applies for that extension and the district or agency, as the case may be, finds that significant progress has been made on the project for which the funds were granted." While VTA recognizes BAAQMD's concern with timely project delivery, any policy that limits Section 44242(d) needs to be developed in consultation with the Program Managers. VTA requests that this policy proposal be	The key issue is "approved by the District". When project sponsors properly notify the Air District of delays, usually there are no major problems. Problems arise when the Air District is not notified immediately of a delay or of changes in projects. Staff recognizes that delays do occur that are beyond sponsors' control. As long as Air District's staff is notified in a timely manner and the issues are fully discussed, proposed Policy #24 will not result in disapprovals of reasonable requests for project extensions.

	removed from consideration until such time as BAAQMD staff have consulted and come to agreement with the Program Managers. **Policy #37: Arterial Management (NOW POLICY #36)** BAAQMD Policy: Incident management projects are not eligible to receive TFCA funding. VTA Comment: Given that 46 % of congestion annually and resulting emissions are due to roadway incidents, barring incident management projects from receiving TFCA funding seems counter to intended purpose of these funds. VTA would request reconsideration of the policy. **Policy #1: Ineligibility of planning activities for TFCA funding** If a project has construction funding (identified by of the nature of the project), but has not yet had a feasibility study, will the project qualify? For example: There's a big project (such as a bike/ped bridge) that's on our Bike Expenditure Program (BEP) list, and has $5 million allocated to it to be developed and constructed. At this point, it's just a concept, and it would need a preliminary study as a first step. Some of the TFCA 40% funds are set-aside for the BEP, and we would want to program those TFCA 40% for preliminary studies subject to the cost-effectiveness thresholds). Would we be able to get funding under the proposed policy change?	In the FY 04/05 cycle, the Air District Board of Directors approved TFCA guidelines that made incident management projects ineligible for funding because these incidents are difficult to predict and their related emissions are difficult to quantify. Staff still agrees with that decision. The Health and Safety Code specifies that TFCA funds "shall be solely used to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement and technical activities necessary for the implementation of the California Clean Air Act." The uncertainty inherent in feasibility studies excludes them from an activity that can be funded by TFCA.
Cory LaVigne Manager of Planning and Operations, Livermore Amador Valley	**Clean Air Vehicle (CAV) Projects** **Policy #26, Clean Air Vehicle Infrastructure (NOW POLICY #25)** The proposed changes favor language favoring support of infrastructure for fuel cell and natural gas vehicles exclusively. LAVTA	The intent of this policy is to allow the funding of infrastructure needed to support alternative fuel

Transit Authority	respectfully requests a language correction, which will enable operators of electric/hybrid (diesel, CNG or gasoline) technology vehicles to qualify for infrastructure funding enhancements as well. **Policy #30, New Heavy-Duty CAV Eligibility (NOW POLICY #29)** This section details the new requirement for the purchase of heavy-duty engines. LAVTA has concerns regarding the statement "to qualify for TFCA funding, the project must provide emission reductions beyond the requirements of the applicable CARB standard or regulation." CARB standards, as has been demonstrated recently, have been pushing the technology development of engine manufacturers faster than the market has allowed. This has placed transit operators in the difficult position of being the testing ground for new emission reduction technologies which are not yet field proven which has led to rampant vehicle and service issues, ultimately affecting ridership and threatening continued patronage. The newly proposed requirement for use of TFCA funds only if the emissions reductions can be beyond applicable CARB standards further forces agencies to potentially sacrifice the provision of quality service by continuing to be a testing ground for new technologies. LAVTA requests that the standard should be consistent with established CARB standards or regulations only. **Policy #33, Reducing Emissions from Existing Heavy-Duty Diesel Engines (NOW POLICY #32)** "The project sponsor must install the highest level (most effective) diesel emission control strategy that is verified by CARB for the specific engine and which can be used without jeopardizing the original engine warranty in effect at the time of the application." This language removes	vehicles. Hybrid vehicles can be fueled using existing gasoline or diesel infrastructure, which is widely available. Therefore, staff does not believe that it would be prudent to change the proposed language as requested. The purpose of the TFCA program is to provide funding to generate additional emission reductions: i.e., emission reductions beyond the requirements of baseline standards. The language that District staff has proposed to add will merely codify long-standing practice. If an engine will achieve the baseline CARB standard only, then there are no additional emission reductions that would justify TFCA funding for that project. The intent of this TFCA policy is not to remove the decision-making capability of fleet operators, but rather to maximize the emission reductions that can be achieved by requiring the installation of the most effective DECS that is

	decision-making capability from agencies regarding vehicle equipment. If a DECS is approved and certified by CARB for a particular engine level, then an operator should be allowed to choose which equipment to use and not forced to use the reportedly "most effective" unit per class. Operators equip vehicles based on long-range equipment uses, parts types and other ongoing maintenance-related purposes. The imposition of an additional requirement for the purchase of a particular piece of equipment (based potentially on very minor emissions reduction over a similar product by a different vendor) will, in the long run, prove deleterious to the fleet maintenance of transit agencies. The standard should continue to be CARB certified and verified products.	compatible with the engine. Existing TFCA policy already contains a caveat stating that the DECS "can be used without jeopardizing the original engine warranty…" Operators retain decision-making capability in terms of their equipment purchases, since the decision to apply for TFCA funds is at the discretion of the applicant.
Roger Hooson Clean Air Vehicle Coordinator, San Francisco International Airport, Landside	SFO endorses the comments that you received from Sam Altshuler [see above]. Also, we applaud the added flexibility in the "Discussion" paragraph on Page 13 of the draft policies. We further endorse the provision in **[Policy] #32** [NOW POLICY #31] that allows an operator to scrap a registered and operational diesel vehicle from another fleet in the Bay Area. Other clarifications are helpful and should reduce the ambiguity that was sometimes a problem this year.	See response to comments from Sam Altshuler above.
Suany Chough Capital Planning and Externa Affairs, San Francisco Municipal Railway (MUNI)	We would urge BAAQMD to change **Policy #26 (Clean Air Vehicle Infrastructure)** [NOW POLICY #25] to allow funding of batteries and chargers for heavy-duty vehicles. We believe this allows more flexibility in implementing projects that reduce emissions. For that reason, we specifically support the changes to **Policy #30 (New Heavy-Duty CAV Eligibility)** [NOW POLICY #29] because it makes a wider range of projects eligible, while still meeting CARB standards and BAAQMD's goals. It is appropriate that the policy be oriented to emissions, rather than the power source.	District staff will address this comment by revising the proposed policy to allow County Program Manager funding of infrastructure to support electric vehicle recharging for transit agencies.
Matt Todd Senior	**Policy #13** The CMA proposes to revise the policy to	For the Program Manager Fund

Transportation Engineer, Alameda County Congestion Management Agency	clarify that revisions to the program manager projects can raise the aggregate cost effectiveness as long as an overall aggregate cost effectiveness of less than $90,000 per ton is maintained. For Program Manager Funds, project revisions must be reviewed and approved by the Air District. The revised project must maintain an aggregate cost-effectiveness of less than $90,000 per ton. Project revisions that result in an aggregate cost-effectiveness of more than $90,000 per ton for the year in which the project was originally approved will not be accepted. **(Program Manager Funds)** **Policy #22** The CMA existing administrative costs exceed the 5% of the DMV fee revenues and interest earned on the prior DMV funds. The revision of this policy to include only the new DMV fee revenues to calculate the 5% administrative fee will further exacerbate the differences between the actual and incurred administrative costs of the TFCA program. The CMA requests the interest earned on the prior DVM funds continue to be included in the 5% administrative fee calculation. The Appendix TFCA Administrative Costs document referenced in this item was not included in the material and therefore we may have additional comments on this issue. **Policy #23 (NOW DELETED)** Indirect costs are incurred in the implementation of the TFCA program. The calculation of an agency indirect cost is performed using an industry established method detailed in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments.* The CMA	expenditure plans, District staff recommends that, in order to be approved, individual projects (with specific exceptions, such as infrastructure projects) shall comply with the same cost-effectiveness threshold of $90,000/ton of emissions reduction currently required for individual Regional Fund projects. If this staff recommendation is approved, the aggregate cost-effectiveness requirement for Program Manager expenditure plans will be eliminated. Administrative costs are limited by law to a maximum of 5% of the total TFCA funds received annually. Proposed Policy #22 limits the expenditure of TFCA funds for administrative costs consistent with State law. Interest earned on DMV fees from prior years should be excluded from this calculation. There are numerous methods available for developing indirect costs rates. An audit of the TFCA program revealed that the indirect costs calculations used by the Alameda County CMA was difficult to audit due to the

	already annually submits our agency indirect cost calculation to the Bay Area Air Quality Management District (BAAQMD) for approval. Other agencies that fund transportation projects, such as the California Department of Transportation (Caltrans), also use this method to account for indirect costs. The BAAQMD should allow agencies to submit an indirect cost calculation for approval and that the approved indirect cost rate should be eligible for reimbursement. The process detailed in OMB Circular A-87 provides consistency with other transportation funding programs and accounting methods used to track costs. The CMA will continue to devote the necessary resources to effectively administer the TFCA program, including costs that have historically exceeded the 5% administration fee cap, but an accurate and consistent accounting of actual costs incurred will be maintained with the continued use of the indirect cost system in place.	methodology employed and the way indirect costs were claimed by the Alameda County CMA. Although the Health and Safety Code is silent on the issue of indirect costs, Air District staff recommends that indirect costs be considered eligible for reimbursement with TFCA funds provided the project sponsor or Program Manager requests and justifies the reimbursement in the grant application (Regional Fund) or the expenditure program (Program Manager Fund), and all administrative costs combined, including direct and indirect costs, do not exceed the 5% cap established by the Health and Safety Code.
	Policy #37 (NOW POLICY #36) According to the Federal Highway Administration (FHWA), between 40% to 60% of congestion nationwide is due incidents. There is direct correlation that projects that reduce congestion through the implementation of incident management systems will mitigate air quality. Based on this, the CMA requests that incident management projects should be eligible for funding in the TFCA program.	See response to comments from Jane Shinn above.
	Additional Consideration for Matching Funds An issue at the Alameda County Technical Advisory Committee of the CMA was that agencies that are fortunate to receive large federal earmarks are required to have a 50% match. The projects that receive a federal earmark that are also eligible for TFCA should be encouraged to apply for the TFCA Regional program and allow the leveraging of the two fund sources. The City of Oakland	Staff does not support this suggestion, as it would indirectly penalize agencies/projects that don't have large matching funds.

	has proposed the following language to support this concept: "Priority shall be given to eligible projects which have 50 percent or more in matching funds from other grant funds. The purpose of this policy is to encourage applicants to provide a significant match for their projects and to leverage TFCA funds whenever possible. For example, a project that is 50 percent funded from a federal Intelligent Transportation System (ITS) grant shall receive extra points on the following scale: 50% match provided = +5 points 55% match provided = +6 points 60% match provided = +7 points 65% match provided = +8 points 70% match provided = +9 points >70% match provided = +10 points	
Susan Heinrich Metropolitan Transportation Commission	**1. Page 1, Item 1: Basic Eligibility** Please provide further clarification for what constitutes a planning activity. MTC believes that the Regional Rideshare Program's (RRP) planning activities (e.g., strategic planning with the RRP Technical Advisory Committee (RRP TAC)) directly result in improvements to project implementation, but wants to confirm that these efforts will still be eligible. **2. Page 1, Item 2: Cost Effectiveness** The Regional Rideshare Program continues to evolve and change. With the creation of the RRP TAC, we are now operating the program in coordination with the county TDM programs. We now view ourselves (county programs and the MTC Regional Rideshare Program) as a single regional program. Counties no longer contribute toward the funding of the Regional Rideshare Program with their TFCA County Program Manager funds. MTC's regional program is now funded with CMAQ and TFCA Regional funds. The counties' contribution is the CMAQ funds. The counties then also fund additional TDM services to complement and add to what is provided by MTC's regional program. Some counties will also begin providing employer outreach services in their	TFCA funds can only be used to cover planning activities directly related to the implementation of a funded project. Strategic planning, by nature, refers to planning for the future; TFCA funds cannot be used to cover costs associated with planning for a future project.

	counties (along with the other services they provide) instead of the MTC Regional Rideshare contractor. MTC will be passing CMAQ funds to the counties who elect to provide this service on behalf of the region. Given these changes, MTC is in the process of working on a revised strategy for evaluating cost effectiveness criterion (and the measures that make up the cost effectiveness) for all of our individual programs that make up the regional program. We plan to come to the Air District with a preliminary proposal in January. Since we have not come to any agreement with the Air District on how to evaluate the program at this time, we would appreciate knowing that the Air District is open to working on this with us, even though a solution would come after the closing date for comments on these policies. **3. Page 6, Item 23: Indirect Costs** We have historically included indirect costs as part of our request and feel that it is important for this cost element to continue to be eligible. **4. Page 6, Item 24: Expend Funds within Two Years / Annual Application Process** Since funds must be spent within two years of the effective date of the Funding Agreement, MTC requests that the Air District consider allowing MTC to apply for two years of funding for the Regional Rideshare Program Contract every two years. This would reduce our administrative burden of submitting an annual application.	The Air District will work with MTC to resolve this issue. See notes above on indirect costs. Current Board-approved Policy #13, Maximum One Year Operating Costs, limits TFCA funds for ridesharing programs to one year.
Maria Lombardo Chief Deputy Director for Programming and Legislation, San Francisco County Transportation Authority	**Policies #7 and #10 – Maximum Amount** We support the proposed changes to matching fund requirements and the maximum grant amount. The changes provide added flexibility to project sponsors in terms of developing high quality, competitive projects for TFCA funds. **Policy #22 – Administrative Costs**	

	The proposed revision in the second paragraph would remove earned interest from the calculation of the maximum revenues available for administrative costs for County Program Manager Funds. Since inception of the TFCA program, earned interest has been considered a form of new revenues and has been added onto the following year's TFCA DMV revenues and included in the calculation of the maximum administrative costs. We oppose the proposed change and urge the BAAQMD to leave this section of the policy unchanged. **Policy #30 – New Heavy-Duty CAV Eligibility (NOW POLICY #29)** The last sentence of the proposed new language, which states that "to qualify for TFCA funding, the project must provide emission reductions beyond the requirements of the applicable CARB standard or regulation," is confusing since Policy 30 calls for the heavy duty vehicles to be in compliance with *or* to improve upon the CARB standard. We propose removing or rewording the last sentence of the added language to avoid confusion.	See notes above on administrative costs. The intent of the new language proposed by District staff is to clarify that TFCA will only fund projects that achieve additional emissions reduction; i.e., emissions reduction beyond the requirements of baseline CARB standards. (See response to LAVTA comments above.) It should be noted that the 1.8 g/bhp-hr NOx standard, which is cited in this Policy, is more stringent that the baseline CARB standard of 2.4 g/bhp-hr. Thus, District staff believes that the language of this policy is internally consistent.

ATTACHMENT B

PROPOSED TFCA POLICIES AND EVALUATION CRITERIA FOR FY ~~2004/05~~ 2005/06

Policies may apply to one or more of the following funds/programs: Program Manager Funds, Regional Funds, and Vehicle Incentive Program (VIP). The funds/programs that each policy applies to are indicated in parentheses following the policy. New or revised policy language (as adopted by the Air District Board of Directors in January 20054) is italicized. Please note that many policies have been renumbered since last year (FY 20043/054).

The highlighted portion above will apply once the Air District Board of Directors approves the TFCA Policies for FY 2005/06.

BASIC ELIGIBILITY

1. **Reduce Emissions:** A project must result in the reduction of motor vehicle emissions within the Air District's jurisdiction to be considered eligible for TFCA funds. Planning activities (e.g., feasibility studies) that are not directly related to the implementation of a specific project are not eligible for TFCA funds. **(Regional Funds; Program Manager Funds; VIP)**

   This is Policy No.2 for FY 2004/05, renumbered to No.1 for FY 2005/06 to emphasize the goal of the TFCA program. Additional language was added to clarify ineligibility for TFCA funding of planning activities.

2. **TFCA Cost-Effectiveness and Minimum Score:** The Air District Board will not approve any grant application for TFCA Regional Funds for a project that has: a) a TFCA cost- (i.e. funding) effectiveness level equal to or greater than \$90,000 of TFCA funds per ton of total ROG, NOx, and weighted PM_{10} emissions reduced (\$/ton), b) a score of less than 40 points (out of a possible 100 points) based upon the project evaluation and scoring criteria listed in Section II of the Regional Fund Guidance document. **(Regional Funds)**

   The Air District will only approve projects included in ~~Annual expenditure plans for~~ County Program Manager ~~funds~~expenditure plans that ~~must~~ achieve an ~~aggregate~~ TFCA cost-~~effectiveness~~ effectiveness, on an individual project basis, equal to or greater ~~of less~~ than \$90,000 of TFCA funds per ton of total ROG, NOx and weighted PM_{10} emissions reduced (\$/ton). ~~To calculate aggregate cost-effectiveness, total TFCA Program Manager funds allocated in the annual county expenditure plan are divided by the combined lifetime emissions reductions estimate for projects in the expenditure plan. Only funds allocated to projects for which cost-effectiveness worksheets are~~

~~required, are included in the aggregate cost-effectiveness calculation.~~ The following are excluded ~~in~~ from the calculation of ~~aggregate~~ TFCA cost-effectiveness: TFCA Program Manager administrative costs, alternative fuel infrastructure projects, light-duty clean air vehicles with a gross vehicle weight (GVW) of 10,000 pounds or less, and TFCA Program Manager funds allocated for the ~~r~~Regional ~~r~~Rideshar~~eing~~ ~~p~~Program. **(Regional Funds; Program Manager Funds)**

The first paragraph is a merge of Policies No.1 and No. 9 for FY 2004/05. The elimination of the aggregate cost-effectiveness threshold for County Program Managers is recommended in order to address directions received from the Air District's Mobile Source Committee about the allocation of TFCA funds to cost-effective projects.

~~2. **Reduce Emissions:** Each project must result in a reduction of motor vehicle emissions. **(Regional Funds; Program Manager Funds; VIP)**~~

3. **Viable Project:** Each project application should identify sufficient resources to accomplish the project. Applications that are speculative in nature, or are contingent on the availability of unknown resources or funds, will not be considered for funding. **(Regional Funds; Program Manager Funds; VIP)**

4. **Responsible Public Agency:** TFCA funds may only be awarded to public agencies. These agencies must be responsible for the implementation of the project and have the authority and capability to complete the project. **(Regional Funds; Program Manager Funds; VIP)**

5. **Non-Public Entities:** A public agency may apply for TFCA funds for clean air vehicles on behalf of a non-public entity when one or more of the following conditions are met:

   a) the non-public entity will use the vehicle(s) to provide, under permit or contract, an essential public service that would otherwise be provided directly by the public agency (e.g., refuse collection, street-cleaning, school bus service, paratransit services for elderly or disabled people, etc.); or

   b) the non-public entity will use the vehicle(s) to provide to the general public, under permit or contract, transportation demand management services (e.g., vanpools, shuttles to transit stations, door-to-door airport shuttles, taxi services, etc.) or services that provide members of the public with an opportunity to use light-duty clean air vehicles eligible under Policy #2~~8~~9, e.g., through station car projects, car rental services, or car-sharing programs.

   As a condition of receiving TFCA funds on behalf of a non-public entity, the public agency must provide a written, binding agreement that commits the non-public entity to operate the clean air vehicle(s) within the Air District for the duration of the useful life of the vehicle(s). In those situations where multiple non-public entities are under contract or permit to provide the service described in a) or b) above, the public agency must provide a written policy ~~which~~ that demonstrates that the vehicle incentive funds will be offered on an equitable basis to all of the non-public entities which are providing the service. **(Regional Funds; Program Manager Funds; VIP)**

Additional clarification of non-public essential services is provided.

6. **Consistent with Existing Plans and Programs:** All projects must conform to the types of projects listed in the California Health and Safety Code Section 44241 and the transportation control measures and mobile source measures included in the Air District's ~~applicable Clean Air Plan (CAP) or the Bay Area 2001 Ozone Attainment Plan~~most recently approved strategy(ies) for State and national ozone standards~~,~~ and, when applicable, with the appropriate Congestion Management Program. **(Regional Funds; Program Manager Funds; VIP)**

7. **Matching Funds:** The Air District will not enter into a funding agreement for an approved project until all project funding has been approved and secured. For project applications requesting greater than $~~100~~150,000 in TFCA Regional Funds, project sponsors must provide matching funds from non-TFCA sources, which equal or exceed ~~20~~10% of the total project cost. TFCA County Program Manager Funds do not count toward fulfilling the non-TFCA matching funds requirement. Project applications for TFCA Regional Funds of $~~100~~150,000 or less may request 100% TFCA funding. **(Regional Funds)**

Matching funds requirement revised to provide additional flexibility to project sponsors.

8. **Authorizing Resolution:** Regional Fund grant applications must include a signed resolution from the governing board (e.g., City Council, Board of Supervisors, Board of Directors, etc.) or University Chancellor authorizing the submittal of the application and identifying the individual authorized to submit and carry out the project. Applications submitted without an authorizing resolution will be returned to the sponsor and will not be scored if the adopted resolution is not received within 30 calendar days of the application submittal deadline. **(Regional Funds)**

~~9. **Minimum Score:** The Air District will not award funds to any project which achieves a score of less than 40 points (out of a possible 100 points) based upon the project evaluation and scoring criteria listed in Section II of the Regional Fund Guidance document. **(Regional Funds)**~~

This language was merged into what is now Policy #2.

~~10~~9. **Minimum Amount:** Only projects requesting $10,000 or more in TFCA Regional Funds will be considered for funding. **(Regional Funds)**

10~~1~~. **Maximum Amount:** No single project or competitive funding application may receive more than $1,~~0~~500,000 in TFCA Regional Funds in any given fiscal year. This limitation does not include any Program Manager Funds the project sponsor may receive for the project. **(Regional Funds)**

Maximum funding amount increased to provide additional flexibility to project sponsors..

11~~2~~. **Readiness:** Projects will be considered for funding only if the project will commence in calendar year 2006~~5~~ or sooner. For purposes of this policy, commence means to order or accept delivery of vehicles or other equipment being purchased as part of the project, to begin delivery of the service or product provided by the project, or to award a construction contract. **(Regional Funds; Program Manager Funds)**

12~~3~~. **Maximum One Year Operating Costs:** For projects which request operating funds to provide a service, such as ridesharing programs and shuttle and feeder bus projects, the Air District will provide funding on an annual basis: i.e., the Air District will approve funding for one annual budget cycle. Applicants who seek TFCA Regional Funds for additional years must re-apply for funding in the ~~next~~ subsequent funding cycle. **(Regional Funds)**

134. **Project Revisions:** If project revisions become necessary, after the project funding agreement is signed, the revised project must be within the same eligible project category and receive a point score higher than the funding cut-off point, based upon the scoring criteria, for the year in which the project was originally approved. Project revisions initiated by the sponsor, which significantly change the project before the allocation of funds by the Air District Board of Directors will not be accepted. **(Regional Funds)**

~~For Program Manager Funds, project revisions must be reviewed and approved by the Air District. The revised project must maintain an aggregate TFCA cost-effectiveness of less than $75,000 per ton of emissions reduction. Project revisions that result in higher an aggregate cost-effectiveness of $75,000 per ton of emissions reduction or more for the year in which the project was originally approved will not be accepted.~~ ~~**(Program Manager Funds)**~~

Language deleted since proposed Policy #2 eliminates the aggregate cost-effectiveness requirement for Program Manager Funds.

APPLICANT IN GOOD STANDING

14~~5~~. **Monitoring and Reporting:** Project sponsors who have failed to fulfill monitoring and reporting requirements for any previously funded TFCA Regional Fund project will not be considered for new funding for the current funding cycle, and until such time as the unfulfilled obligations are met. **(Regional Funds)**

15~~6~~. **Failed Audit:** Project sponsors who have failed either the fiscal audit or the performance audit for a prior TFCA project may, at the discretion of the Air Pollution Control Officer (APCO), be excluded from future funding. Existing funds already awarded to the agency will not be released until all audit recommendations and remedies have been implemented.

A failed fiscal audit means an uncorrected audit finding that confirms an ineligible expenditure of TFCA funds. A failed performance audit means that the project was not implemented as set forth in the project funding agreement. **(Regional Funds; Program Manager Funds)**

16~~7~~. **Signed Funding Agreement:** Project applicants will have to sign a Funding Agreement within three (3) months after it has been transmitted to them by the APCO in order to remain eligible for the granted TFCA funds. The APCO may grant a one-time extension of thirty (30) calendar days to the applicant for just cause. Project applications will not be considered from project sponsors who were awarded TFCA funds in a previous year and have not signed a Funding Agreement with the Air District by the current application deadline. **(Regional Funds)**

17~~8~~. **Implementation:** Project sponsors that have a signed Funding Agreement for a prior TFCA project, but have not yet implemented that project by the current application deadline, will not be considered for funding for any new project. The phrase "implemented that project" means that the project has moved beyond initial planning stages and the project is being implemented consistent with the implementation schedule specified in the project funding agreement. **(Regional Funds)**

INELIGIBLE PROJECTS

18~~9~~. **Duplication:** Applications for projects which duplicate existing projects, regardless of funding source, will not be considered for funding. Combining Program Manager Funds with TFCA Regional Funds for a single project is not project duplication. Applications requesting TFCA funding for project costs with duplicate funding sources will not be considered for funding. **(Regional Funds; Program Manager Funds; VIP)**

19~~20~~. **Employee Subsidy:** Projects that provide a direct or indirect financial transit or rideshare subsidy exclusively to employees of the project sponsor will not be considered for funding. For projects that provide such subsidies, the direct or indirect financial transit or rideshare subsidy must be available, in addition to the employees of the project sponsor, to employees other than those of the project sponsor. **(Regional Funds; Program Manager Funds)**

USE OF TFCA FUNDS

20~~1~~. **Combined Funds:** TFCA County Program Manager Funds may be combined with TFCA Regional Funds for the funding of an eligible project. For purposes of calculating TFCA funding effectiveness for TFCA Regional Funds (Evaluation Criterion #~~1~~2), the 40% County Program Manager Funds will be included in the calculation of the TFCA cost of the project. ~~TFCA Regional Funds will not be included in calculating the aggregate cost-effectiveness of each County Program Manager annual TFCA expenditure plan.~~ **(Regional Funds; Program Manager Funds)**

21~~2~~. **Cost of Developing Proposals:** The costs of developing proposals for TFCA funding are not eligible to be reimbursed with TFCA funds. **(Regional Funds; Program Manager Funds; VIP)**

22~~3~~. **Administrative Costs:** Administrative costs (i.e., the costs associated with administering a TFCA grant) are limited to a maximum of five (5) percent of total TFCA funds expended on a project. To be eligible for reimbursement, administrative costs must be clearly identified in the Regional Fund project budget, both in the TFCA application and in the project funding agreement. **(Regional Funds)**

Administrative costs for County Program Manager Funds are limited to a maximum of five (5) percent of the actual Department of Motor Vehicles (DMV) fee revenues that correspond to each county, received in a given year. Interest earned on prior DMV funds received shall not be included in the calculation of the ~~maximum~~ administrative costs. **(Program Manager Funds)**

All reimbursement with TFCA funds of administrative costs (i.e., direct and indirect) must be requested and justified in writing in the project application or expenditure plan, and approved in advance and in writing by the Air District. **(Regional Funds. Program Manager Funds)**

~~Please see the Appendix *TFCA Administrative Costs* of this document for Air District policy defining allowable administrative costs.~~ ~~**(Regional Funds; Program Manager Funds)**~~

Language added to provide clarity and to incorporate recommendations received from auditor of projects implemented with TFCA funds.

23~~5~~. **Expend Funds within Two Years:** Any public agency or entity receiving Regional Funds must expend the funds within two (2) years of the effective date of the Funding Agreement, unless a longer period is formally (i.e., in writing) approved in advance by the Air District. In the case of the Program Manager ~~f~~Funds, the funds must be expended within two (2) years of receipt of the first transfer of funds from the Air District to the Program Manager in the applicable fiscal year, unless a longer period is formally (i.e., in writing) approved in advance by the Program Manager. Program Managers may approve no more than two (2) one (1)-year schedule extensions for a project. A third schedule extension for a project can only be given if written approval is received by the Program Manager from the Air District. **(Regional Funds; Program Manager Funds)**

Language added to facilitate the implementation of projects in a timely fashion.

2~~4~~5. **Returned Funds:** TFCA returned funds accrue to the TFCA Regional Fund and will be allocated to new TFCA Regional Fund projects during the next funding cycle. TFCA returned funds consist of a) TFCA Regional Funds allocated to projects that are completed under budget, cancelled, or awarded an amount less than the Board approved allocation; b) any unallocated TFCA Regional Funds from the prior year funding cycle; or c) TFCA County Program Manager funds that are returned to the Air District. **(Regional Funds)**

CLEAN AIR VEHICLE (CAV) PROJECTS

2~~5~~6. **Clean Air Vehicle Infrastructure:** The TFCA Regional Fund will fund ~~the clean air vehicle~~ infrastructure to support fuel cell vehicles. ~~development associated only with electric vehicle projects and only under the following conditions: a) the maximum level of funding is limited to the amount necessary to satisfy the recharging demand created by the project; and b) after satisfying the project needs, t~~The ~~recharging~~ infrastructure must be accessible, to the extent feasible, to other public agencies, private fleets, and the general public.

The TFCA Program Manager Funds may be used for infrastructure to support ~~both~~ electric vehicles recharging for transit agencies, ~~and~~ natural gas vehicles and fuel cell vehicles~~fueling infrastructure~~. The ~~electric recharging and natural gas fueling~~ infrastructure must be accessible, to the extent feasible, to other public agencies, private fleets, and the general public. **(Regional Funds; Program Manager Funds)**

This policy has been modified to allow for funding of infrastructure projects for fuel cell vehicles ~~instead of that for electric vehicles due to the lack of interest in projects for the latter infrastructure type~~.

2~~6~~7. **Clean Air Vehicle Weights:** For TFCA purposes, light-duty vehicles are those 10,000 pounds gross vehicle weight (GVW) or lighter. Heavy-duty vehicles are those 10,001 pounds GVW or heavier. **(Regional Funds; Program Manager Funds; VIP)**

278. **Light-Duty CAV Eligibility:** All light-duty chassis-certified vehicles certified by the California Air Resources Board (CARB) as meeting established super ultra low emission vehicle (SULEV), partial zero emission vehicle (PZEV), advanced technology-partial zero emission vehicle (AT-PZEV), or zero emission vehicle (ZEV) standards are eligible for TFCA funding. Gasoline and diesel vehicles are not eligible for TFCA funding. Hybrid-electric vehicles that meet the SULEV, PZEV, AT-PZEV, or ZEV standards are eligible for TFCA funding. **(Program Manager Funds; VIP)**

289. **Light-Duty CAV Funding Participation:** For light-duty clean air vehicle projects for passenger cars, pick-up trucks, and vans, project sponsors may receive no more than the following funding incentive amounts:

Emission Rating	Vehicle Type	Incentive Amount
SULEV	Hybrid electric	$2,000
SULEV	Natural gas / propane	$4,000
ZEV	Highway battery electric	$5,000
ZEV	City battery electric	$3,000
ZEV	Neighborhood battery electric	$1,000
ZEV	3-wheel battery electric	$1,000

These incentive amounts above will be pro-rated for leased vehicles in those cases where the vehicle is available for purchase.

The incentive amounts for partial zero emission vehicles (PZEV) and advanced technology-partial zero emission vehicles (AT-PZEV) are the same as for SULEV-rated vehicles. **(Program Manager Funds; VIP)**

2930. **New Heavy-Duty CAV Eligibility:** To be eligible for TFCA funding, the engines of all new heavy-duty vehicles must be certified to CARB's optional reduced-emission NO_x plus non-methane hydrocarbon (NMHC) standard for 2004 (1.8 g/bhp-hr), or lower.

Emission reductions for heavy-duty engine projects will be calculated by comparing the CARB certification level for the engine to the CARB emission standard or regulation that applies for the particular fleet or vehicle. To qualify for TFCA funding, the project must provide emission reductions beyond the requirements of the applicable CARB standard or regulation. **(Regional Funds; Program Manager Funds)** ~~New vehicles that are bi-fuel, or that otherwise have the ability to operate on gasoline or diesel as their primary fuel are not eligible for funding (for purchase or lease) as TFCA clean air vehicle projects.~~

Language revised to clarify intent of the policy.

30~~1~~. **Heavy-Duty CAV Funding Participation:** For heavy-duty clean air vehicle projects, project sponsors may receive no more than the incremental cost of the new cleaner vehicle. Incremental cost is the difference in the purchase prices of the new clean air vehicle and its new diesel ~~or gasoline~~ counterpart. However, public transit agencies, which have elected to pursue the "alternative fuel" path under CARB's urban transit bus regulation, may continue to apply for up to $150,000 per alternative~~ly~~-fuel~~ed~~ transit bus (30-ft. or bigger). **(Regional Funds; Program Manager Funds)**

Language revised to clarify intent of the policy.

31~~2~~. **Heavy-Duty Vehicle Replacement:** Sponsors of heavy-duty vehicles purchased with TFCA funds must either:

a) replace an existing similar or equivalent registered and operational diesel vehicle within the applicable vehicle fleet, or acquire and scrap an equivalent registered and operational vehicle from another fleet within the Bay Area. The vehicle being replaced must be removed from service and destroyed (i.e., destruction of the engine block and frame/chassis), or
b) add a diesel emission control strategy to an existing similar or equivalent registered and operational vehicle within the applicable vehicle fleet or within the fleet of the project sponsor. The control strategy must be certified or verified by CARB to reduce emissions and be approved by CARB for use with the relevant engine. This option requires the use of ultra-low-sulfur diesel.

Applicants may request TFCA funds, pursuant to guidelines developed by Air District staff, to offset the cost of complying with this policy. If the applicant requests TFCA funds to cover these costs, the funds will be included in calculating the TFCA cost-effectiveness of the project application.

Note: a "registered and operational vehicle" is a vehicle that has been registered with the California Department of Vehicles as an operational vehicle within the jurisdiction of the Air District for at least two (2) years prior to the application date.

(Regional Funds; Program Manager Funds)

Language revised to clarify intent of the policy.

32~~3~~. **Reducing Emissions from Existing Heavy-Duty Diesel Engines:**

Options available to reduce emissions from existing heavy-duty diesel engines include:

a) Repowers – To be eligible for TFCA funding, the new engines selected to repower an existing heavy-duty vehicle must reduce NOx emissions by at least 15% compared to the existing engine that will be replaced. ~~be certified to CARB's optional reduced-emission NO_x plus~~

~~non-methane hydrocarbon (NMHC) standard for 2004 *(1.8 g/bhp-hr) or lower.*~~

b) Diesel Emission Control Strategies – Diesel emission control strategies compatible with existing heavy-duty diesel engines are eligible for TFCA funding, subject to the conditions described below:

1) All control strategies must be certified or verified by CARB to reduce emissions and be approved by CARB for use with the relevant engine.
2) The use of ultra-low sulfur diesel (15 ppm sulfur, or less) is required in conjunction with all control strategies.
3) TFCA will fund, at most, the incremental cost (over what is standard or required by regulation) of the control strategy.
4) <u>Diesel emissions control strategies must meet the applicable CARB standard for NO_2 emissions when the standard is put into effect and strategies are available that meet the standard.</u>
5) <u>The project sponsor must install the highest level (most effective) diesel emission control strategy that is verified by CARB for the specific engine and which can be used without jeopardizing the original engine warranty in effect at the time of application.</u>

c) Clean Fuels or Additives – Clean fuels or additives compatible with existing heavy-duty engines are eligible for TFCA funding, subject to the conditions described below:

1) All clean fuels or additives must be certified or verified by CARB to reduce emissions and be approved by CARB for use with the relevant engine.
2) Ultra-low-sulfur diesel is not eligible for funding.
3) TFCA will fund, at most, the incremental cost (over what is standard or required by regulation) of the clean fuel or additive.

~~For the Regional Fund, the sum of all projects funded under Policy *#33* in a fiscal year shall not exceed 20% of the Regional Funds available for that fiscal year. For the Program Manager Fund, the sum of each individual County's projects funded under Policy *#33* in a fiscal year shall not exceed 20% of the County's Program Manager Funds for that fiscal year.~~ **(Regional Funds; Program Manager Funds)**

Repower revision would align this policy with Carl Moyer Program requirements for emissions reduction. Language added to diesel emission control strategy reflects language utilized by CARB for the solid waste collection vehicle fleet regulation. 20% cap for heavy-duty diesel projects deleted because it is deemed unnecessary (total for this type of projects has not come even close to the cap) as potentially discouraging to sponsors that may want to apply for this type of project.

33~~4~~. **Bus Replacements:** For purposes of transit and school bus replacement projects, a bus is any vehicle designed, used, or maintained for carrying more than fifteen (15) persons including the driver. A vehicle designed, used, or maintained for carrying more than ten (10) persons, including the driver, which is used to transport persons for compensation or profit, or is used by any nonprofit organization or group, is also a bus. A vanpool vehicle is not considered a bus. **(Regional Funds; Program Manager Funds)**

SHUTTLE/FEEDER BUS SERVICE PROJECTS

34~~5~~. **Shuttle/Feeder Bus Service:** Shuttle/feeder bus service projects are those requesting funds to operate a shuttle or feeder bus route. The route must go to or from a rail station, airport, or ferry terminal, and the project must:

a) be submitted by a public transit agency; or

b) be accompanied by documentation from the General Manager of the transit agency that provides service in the area of the proposed shuttle route, which demonstrates that the proposed shuttle service does not duplicate or conflict with existing transit agency revenue service.

All shuttle/feeder bus service to rail or ferry stations must be timed to meet the rail or ferry lines being served.

Independent (non-transit agency) shuttle/feeder bus projects that received TFCA funding prior to FY 2002/03 and obtained a letter of support from all potentially affected transit agencies need not comply with "b" above unless funding is requested for a new or modified shuttle/feeder bus route.

All vehicles used in any shuttle/feeder bus service must meet the applicable CARB particulate matter (PM) standards for public transit fleets. For the purposes of TFCA funding, shuttle projects comply with these standards by using one of the following types of shuttle/feeder bus vehicles:

a) an alternate fuel vehicle (CNG, LNG, propane, electric);

b) a hybrid-electric vehicle;

c) a post-1994 diesel vehicle and a diesel emission control strategy certified or verified by CARB to reduce emissions and approved by CARB for use with the relevant engine (this option requires the use of ultra-low-sulfur diesel); or

d) a post-1989 gasoline-fueled vehicle.

No other types of vehicles, except for those listed in a through d above, are eligible for funding as shuttle/feeder bus service projects.

(Regional Funds; Program Manager Funds)

BICYCLE PROJECTS

~~36.~~35. **Bicycle Projects:** Bicycle facility improvement projects that are included in an adopted countywide bicycle plan or Congestion Management Program (CMP) are eligible to receive TFCA funds. For purposes of this policy, if there is no adopted countywide bicycle plan, the project must be in the county's CMP, or the responsible Congestion Management Agency must provide written intent to include the project in the next update of the CMP. Eligible bicycle projects are limited to the following types of bicycle improvement facilities for public use: a) new Class 1 bicycle paths; b) new Class 2 bicycle lanes (or widening of outside lanes to accommodate bicycles); c) new Class 3 bicycle routes; d) bicycle racks, including bicycle racks on transit buses, trains, shuttle vehicles, and ferry vessels; e) bicycle lockers; f) attended bicycle storage facilities; and g) development of a region-wide web-based bicycle trip planning system. All bicycle facility improvement projects must, where applicable, be consistent with design standards published in Chapter 1000 of the California Highway Design Manual. **(Regional Funds; Program Manager Funds)**

ARTERIAL MANAGEMENT PROJECTS

36~~7~~. **Arterial Management:** Arterial management projects must specifically identify a given arterial segment and define what improvement(s) will be made to affect traffic flow on the identified arterial segment. Projects that provide routine maintenance (e.g., responding to citizen complaints about malfunctioning signal equipment) are not eligible to receive TFCA funding. Incident management projects are not eligible to receive TFCA funding.

Transit improvement projects are limited to transit bus priority and bus stop relocation projects.

For signal timing projects, TFCA funds may only be used for arterial management projects where the affected arterial has an average daily traffic volume of 20,000 or more, or an average peak hour traffic volume of 2,000 or more. **(Regional Funds; Program Manager Funds)**

SMART GROWTH PROJECTS

~~37.~~37. **Smart Growth/Traffic Calming:** Physical improvements that support development projects and/or calm traffic, resulting in the achievement of motor vehicle emission reductions, are eligible for TFCA funds subject to the following conditions: a) the development project and the physical improvements must be identified in an approved area-specific plan, redevelopment plan, general plan, bicycle plan, ~~pedestrian plan,~~ traffic-calming plan, or other similar plan; and b) the project must implement one or more transportation control measures (TCMs) in the most recently adopted strategy(ies) for State and national ozone standards throughout the agency's jurisdiction.~~applicable Bay Area Clean Air Plan or Bay Area 2001 Ozone Attainment Plan. Projects that implement TCM 19 (pedestrian improvements) or TCM 20 (traffic calming) are encouraged.~~ ~~Projects that would implement other TCMs will also be considered for funding.~~ Pedestrian projects are not eligible for TFCA funding. Traffic calming projects are limited to physical improvements that reduce vehicular speed by design. Improvements that rely only on driving behavior modification are not eligible for funding. **(Regional Funds; Program Manager Funds)**

Language added to clarify intent of the policy and to implement direction from the Air District's Mobile Source Committee.

REGIONAL FUND EVALUATION CRITERIA

FY 20054/065 TFCA Regional Fund Scoring Criteria

Criteria	Maximum Points
1. TFCA Funding Effectiveness	60
2. Other Project Attributes	15
3. Clean Air Policies and Programs	10
4. Disadvantaged Community	10
5. Promote Alternative Transportation Modes	5
Total	**100**

DISCUSSION

The maximum possible score is 100 points. Projects will be ranked by total point score in descending order. A minimum score of 40 points is required to be considered for funding. In the event that two or more projects achieve an equal score, project ranking will be determined by TFCA Funding Effectiveness (Criterion #1). The project with the best TFCA Funding Effectiveness will receive priority.

Available Regional Funds will be allocated to projects beginning with the highest ranking project and proceeding in sequence to lower-scoring projects, to fund as many eligible projects as available funds can fully cover. The point where the next-ranked eligible project cannot be fully funded defines the cut-off point for the funding cycle, i.e., all projects above this point will be funded. Any remaining available funds ~~will~~ are generally ~~be~~ allocated to projects in the subsequent funding cycle. No partial grant awards will be made; however, grant awards may be reduced from the original application request by mutual consent of the project sponsor and the Air District.

Criterion 1: TFCA Funding Effectiveness: [maximum 60 points]

This criterion is designed to measure the cost-effectiveness of a project in reducing air pollutant emissions and to encourage projects that contribute funding from other, non-TFCA sources in excess of required matching funds. TFCA funds budgeted for the project (both Regional Funds and County Program Manager Funds combined) will be divided by the estimated lifetime emissions reduction for the project. The estimated lifetime emission reduction is the sum of reactive organic gases (ROG), oxides of nitrogen (NO_x), and weighted particulate matter[1] (PM_{10}) that will be reduced over the life of the

[1] Particulate matter (PM_{10}) emissions includes tailpipe PM, as well as brake particles, tire particles and re-entrained road dust. Consistent with CARB methodology to calculate PM emission reductions for the Carl Moyer Program, weighted PM emissions will be calculated by

project. Air District staff will determine the estimated emission reductions and TFCA funding effectiveness for the project.

The point scale for awarding points for this criterion is presented below.

Point Scale for Criterion 1

TFCA $/Ton			Points	TFCA $/Ton			Points
$0		$19,999	60	$66,000	-	$67,999	36
$20,000	-	$21,999	59	$68,000	-	$69,999	35
$22,000	-	$23,999	58	$70,000	-	$71,999	34
$24,000	-	$25,999	57	$72,000	-	$73,999	33
$26,000	-	$27,999	56	$74,000	-	$75,999	32
$28,000	-	$29,999	55	$76,000	-	$77,999	31
$30,000	-	$31,999	54	$78,000	-	$79,999	30
$32,000	-	$33,999	53	$80,000	-	$81,999	29
$34,000	-	$35,999	52	$82,000	-	$83,999	28
$36,000	-	$37,999	51	$84,000	-	$85,999	27
$38,000	-	$39,999	50	$86,000	-	$87,999	26
$40,000	-	$41,999	49	$88,000	-	$89,999	25
$42,000	-	$43,999	48	$90,000	-	and above	0
$44,000	-	$45,999	47				
$46,000	-	$47,999	46				
$48,000	-	$49,999	45				
$50,000	-	$51,999	44				
$52,000	-	$53,999	43				
$54,000	-	$55,999	42				
$56,000	-	$57,999	41				
$58,000	-	$59,999	40				
$60,000	-	$61,999	39				
$62,000	-	$63,999	38				
$64,000	-	$65,999	37				

- **Criterion 2: Other Project Attributes [maximum 15 points]**

  The purpose of this criterion is to provide a mechanism in the evaluation and scoring process to identify and assess desirable project attributes that are not captured in the analysis of TFCA funding effectiveness. Projects may score points under this criterion based upon other project attributes identified for each project type. The specific project attributes for each project type will be identified after project applications have been received and reviewed.

- **Criterion 3: Clean Air Policies and Programs [maximum 10 points]**

adding the tailpipe PM multiplied by a factor of 10, plus the sum of tire, brake, and road dust PM.

The purpose of this criterion is to recognize and encourage efforts of public agencies to implement policies and programs that promote the region's air quality objectives, especially land use and transportation policies that help to reduce air pollution from motor vehicles.

To receive points for this criterion, the sponsoring agency must describe its policies and actions to implement the transportation control measures (TCMs) in the ~~applicable Bay Area Clean Air Plan or Bay Area 2001 Ozone Attainment Plan~~most recently adopted strategy(ies) for State and national ozone standards throughout the agency's jurisdiction. Points will be awarded based upon the performance of the project sponsor in implementing those elements of each TCM, which are within the purview of the sponsor agency.

- **Criterion 4: Disadvantaged Community [maximum 10 points]**

This criterion will award a maximum of 10 points (sliding scale 0-10 points) for projects that directly reduce emissions in economically disadvantaged communities. For purposes of this criterion, economically disadvantaged communities are defined in a report entitled A Guide to the Bay Area's Most Impoverished Neighborhoods, prepared for the Bay Area Partnership by the Northern California Council for the Community. Forty-six disadvantaged communities throughout the Bay Area are identified. To qualify for points, the project must directly benefit one or more of these communities. The project sponsor must 1) identify the census tracts in the disadvantaged community that will benefit from the project, 2) specify the percentage of project resources or services that will be delivered to the identified disadvantaged community, and 3) provide a clear explanation as to how the project directly benefits residents in that community. The number of points awarded will be based upon the percentage of project resources that directly benefit the community and the extent to which the project sponsor demonstrates this benefit.

- **Criterion 5: Promote Alternative Transportation Modes [maximum 5 points]**

This criterion will award a maximum of 5 points (sliding scale 0-5 points) for projects that promote alternative modes of transportation (e.g., transit, ridesharing, bicycling~~, walking~~) and reduce single occupant vehicle trips by the general public: e.g., shuttle services, ridesharing, bicycle facility improvements, and "smart growth" projects. The number of points awarded will be based upon the Air District's estimate of the number of project users or beneficiaries.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter-Office Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Gary Kendall
Acting Director of Planning and Research

Date: February 3, 2005

Re: Reallocation of a Portion of the 2004 Lower-Emission School Bus (LESB) Program Funds

RECOMMENDED ACTION

Recommend Board approval of LESB Program funds reallocation to allow the purchase of new clean diesel school buses with the remaining $624,268 of Transportation Fund for Clean Air (TFCA) funds allocated to the LESB Program 2004 cycle.

BACKGROUND

The Air District has administered the LESB Program in collaboration with the California Air Resources Board (CARB) since fiscal year (FY) 2000/01. The goal of this program is to reduce school children's exposure to cancer-causing and smog-forming pollution. An October 2003 study by UC Riverside and UCLA, funded by the South Coast Air Quality Management District, found that school children riding in older diesel buses may be exposed to pollution levels two to five times higher than students riding in new, cleaner buses. Through a combined approach of replacing and retrofitting older school buses, the program reduces emissions of both particulate matter (PM) and oxides of nitrogen (NOx).

In June 2004, the Air District received $900,000 from CARB for the continuation of the LESB Program. This represents the final allocation of the Proposition 40 bond revenues earmarked for school bus replacements. With CARB's approval, the Air District decided to allocate this funding towards replacing old diesel school buses with new-technology diesel buses that use ultra-low sulfur diesel fuel and are equipped with diesel particulate filters (DPF) and meet CARB's 2007 PM emissions standard because there is currently a strong demand for clean diesel buses from the Bay Area public school districts. On March 3, 2004, the Air District Board approved the allocation of $1 million of 2003/2004 TFCA Regional Funds to the 2004 LESB Program funding cycle for the purchase of new alternative fuel school buses.

With the combination of these two funding sources (CARB and TFCA funds), the Air District had approximately $1.9 million available in the 2004 LESB Program funding cycle to assist public school districts in replacing older high-emitting school buses. Most of the available funding is allocated consistent with the requirements of the CARB's Lower-Emission School Bus Program. Table 1 provides a summary of the funding sources, amounts, proposed for use in this cycle, and the status of funding to date.

Table 1
Funding for Lower-Emission School Bus Program (2004 funding cycle)

Funding Source	Amount of Funding	Proposed Use	Amount Awarded	Amount Remaining
Transportation Fund for Clean Air – FY 2003/2004 funds	$1,000,000	Purchase of new Alternative Fuel School Buses	$375,732	$624,268
Proposition 40 Revenue Bonds	$900,000	Purchase of new Alternative Fuel or Clean Diesel School Buses	$835,713	$64,287
Total	$1,900,000		$1,211,445	$688,555

DISCUSSION

In December 2004, the Air District awarded a total of $1,211,445 in 2004 LESB Program funding to six public school districts to replace older high-emitting school buses in their fleets. Due to the large number of applications requesting new clean diesel school buses that the Air District received on the first day the applications were accepted, staff conducted a lottery to award grants for new clean diesel buses. No lottery was necessary to award grants for new compressed natural gas (CNG) buses, which qualify as alternative fuel vehicles, because the requested funds did not exceed the available funds.

Table 2 provides a summary, by school district, of the number of school buses and the funding amounts awarded through the 2004 LESB Program funding cycle to date. The data in Table 2 show that the 2004 LESB Program funding available to purchase new clean diesel buses has been almost fully expended.

Table 2
LESB Program Funds Awarded in 2004 Funding Cycle (through 2/03/05)

School District	Type of Bus	No. of Buses	Allocated Funding	Funding Source
West County Transportation Agency	CNG	1	$107,514	TFCA
Newark Unified School District	CNG	2	$268,218	TFCA
Antioch Unified School District	Diesel	2	$176,236	Prop. 40
Cupertino Union School District	Diesel	1	$88,118	Prop. 40
Sonoma Valley Unified School District	Diesel	3	$262,005	Prop. 40
Morgan Hill Unified School District	Diesel	3	$309,354	Prop. 40
TOTAL	CNG Diesel	3 9	$375,732 $835,713 $1,211,445	

Reallocation of TFCA portion of 2004 LESB Program to fund new clean diesel school buses

The Bay Area public school districts continue to show greater interest in replacing their oldest vehicles with new clean diesel buses than with other alternative fuel vehicles. There are additional grant applications for new clean diesel school buses that cannot be approved due to the lack of funding, and staff has not received any new applications requesting grants to purchase alternative fuel buses. If the remaining TFCA funds for the 2004 LESB Program are not reallocated, only five (5) old diesel buses can be replaced, whereas seven (7) additional old diesel buses can be replaced with new clean diesel buses if the remaining $624,268 of TFCA funding for the LESB Program is reallocated to fund the purchase of new clean diesel buses. The difference is due to the higher cost of CNG buses. The cost effectiveness of funding the purchase of additional new clean diesel buses meets the TFCA policy required level of $90,000 per ton of reduced emissions or less.

Based on the above-mentioned reasons, staff recommends that all remaining LESB Program funds be reallocated to fund the purchase of new clean diesel buses as well as alternative fuel buses until the available funds are expended. This will increase the number of older diesel school buses removed from the region that may otherwise continue to service school children, and help school districts that usually cannot voluntarily replace older buses without public grants assistance. The old diesel school buses slated for replacement range from model year 1969 to 1986.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Gary Kendall
Acting Director of Planning and Research

FORWARDED: ____________________________

Prepared by: Karen Chi
Reviewed by: Juan Ortellado

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter Office Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Gary Kendall
Acting Director of Planning and Research

Date: February 3, 2005

Re: Implementation of the Year 7 Carl Moyer Grant Program in the San Francisco Bay Area

RECOMMENDED ACTIONS

1) Recommend Board approval of the Air District's participation in implementing the California Air Resources Board's (CARB) Year 7 Carl Moyer Program (Fiscal Year 2004-05) in the San Francisco Bay Area.
2) Recommend that the Board authorize the Executive Officer/APCO to enter into necessary contracts with the California Air Resources Board and with approved applicants to implement the Year 7 Carl Moyer Program in the San Francisco Bay Area.
3) Recommend Board approval of procedures for allocating the Year 7 Carl Moyer Program incentives in the Bay Area.

BACKGROUND

The Bay Area Air Quality Management District (Air District) has participated in the Carl Moyer Program, in cooperation with the California Air Resources Board, since the Program began in fiscal year (FY) 1998-99. The Carl Moyer Program provides grants to public and private entities to reduce emissions from existing heavy-duty diesel engines by either replacing or retrofitting them. Carl Moyer Program grants are awarded to cover some, or all, of the incremental cost to purchase new, low-emission engines, or to repower or retrofit existing engines and vehicles. Eligible heavy-duty diesel engine applications include on-road trucks and buses, off-road equipment, marine vessels, locomotives, stationary agricultural pump engines, forklifts, and airport ground support equipment. To date, the Air District has allocated over $12.3 million to 68 projects, achieving estimated annual emission reductions of 773 tons of oxides of nitrogen (NOx) and 46 tons of particulate matter (PM).

DISCUSSION

Several bills enacted in the 2004 legislative session (SB 1107, the State Budget; AB 923, Firebaugh; and AB 1394, Levine) mandated significant changes to the Carl Moyer Program, as summarized below.

Funding Source: SB 1107 and AB 923 contained provisions to establish a dedicated funding base for the Carl Moyer Program through the year 2014. Funding for the Carl Moyer Program will be generated through a combination of Smog Check waiver fees and fees on new tires sold in the state. When fully implemented (in FY 2005/06), these new fees are expected to generate approximately $80 million per year on a statewide basis. (Note: the increase in funding for the Carl Moyer Program is separate from the new $2 per vehicle surcharge that will come directly to the Air District, effective July 1, 2005. This new $2 vehicle surcharge, which is expected to generate approximately $11 million per year, can also be used for heavy-duty diesel emission reduction projects.)

Eligible Project Types: Several new project types were made eligible by AB 923 and AB 1394, including fleet modernization projects, additional agricultural sources; and scrappage or repair of light-duty vehicles.

Calculating Emission Reductions: Per AB 923, reductions of particulate matter (PM) and reactive organics (ROG) will be included in calculating the emission reductions for Carl Moyer projects, in addition to NOx. Also, in a recent Carl Moyer Program Advisory, CARB has directed that tailpipe (combustion) PM emissions should be weighted by a factor of ten in calculating aggregate emissions reductions, to better reflect the negative impact of diesel PM on public health.

Allocation Formula: The Air District contains close to 20% of the state's population, yet historically has only received roughly 10% of the Carl Moyer Program funding. After multiple years of being assured by other air districts and CARB that change was imminent, AB 923 established a formula to allocate Carl Moyer Program funds among the air districts throughout the state. The formula was intended to reflect the outcome of discussions brokered through the California Air Pollution Control Officers Associations (CAPCOA). Based on the CAPCOA discussions, the formula was expected to allocate approximately 15% of the total Carl Moyer Program funds statewide to the Air District. However, when CARB used the formula written into AB 923 to allocate funds for the Year 7 Carl Moyer Program, the Air District's share came to less than 9% of the total funds. Air District staff continues to work with both CAPCOA and CARB to address this inequity. In the short term, one potential partial solution to this problem would be for CARB to distribute the statewide funds (10% of the total) in geographic regions with both significant diesel risk and dense populations, which in combination create a major public health problem. Staff will keep this Committee and the Board informed of whether these efforts are successful in increasing the share of total Carl Moyer Program funds expended to reduce emissions in the Bay Area.

Amount of Funding Available

CARB has allocated $2,535,525 in Carl Moyer Program funding to the Air District for the Year 7 (FY 2004/05) program. This consists of $2,478,161 to be awarded by the Air District to projects that reduce emissions from heavy-duty diesel engines, plus $57,364 to help cover the Air District's administrative and outreach expenses related to the Carl Moyer Program. The Air District's funding share represents 9.4% of the $26.4 million that will be distributed directly to air districts statewide[1]. (Because several districts chose not to accept their full shares of Moyer Program funds as originally proposed by CARB, the Air District's final share was increased compared to its initial proposed share of approximately 8.8 % or $2.3 million which was calculated based upon the AB 923 allocation formula.) Additional funds may become available for reprogramming, if any existing Carl Moyer Program grants awarded by the Air District in prior cycles are cancelled or completed under budget prior to the next call for projects.

Procedures to Allocate Carl Moyer Program Funds

CARB has embarked upon a workshop process to update the Carl Moyer Program guidelines, as necessary to implement the provisions of the bills mentioned above. CARB staff plans to bring the revised Carl Moyer guidelines to the CARB governing board for review in November 2005. To allocate Carl Moyer Program funds in the Year 7 cycle, CARB has directed air districts to use the Carl Moyer guidelines issued September 30, 2003, as updated by subsequent interim Program Advisories. Based upon current guidelines, all projects must achieve a cost-effectiveness of $13,600 or less per ton of reduced emissions (NOx, ROG, and PM combined) in order to be eligible to receive Carl Moyer Program funding. The Air District's basic process for allocating Year 7 Carl Moyer Program funds is summarized in Attachment A.

The Carl Moyer Program funds will continue to be distributed in accordance with California Health and Safety Code Section 43023.5, which requires that at least 50% of funds be allocated to projects to reduce emissions in those areas with the most significant exposure to air contaminants.

Proposed Schedule

Staff plans to issue a call for Carl Moyer Program applications in summer 2005, and to bring a list of recommended projects to the Mobile Source Committee for review and approval in fall 2005.

[1] In addition to the $26.4 million that will be allocated directly to air districts statewide, CARB has reserved $2.9 million (10% of total Carl Moyer Program funds) to be awarded to inter-district projects. The total available funding of approximately $30 million for the FY 2004/05 Carl Moyer Program represents the revenues from a partial year of the new Carl Moyer Program funding sources.

<u>BUDGET CONSIDERATION / FINANCIAL IMPACT</u>

The Carl Moyer Program distributes “pass-through” funds from CARB to private companies and public agencies on an invoice basis. Therefore, the project grant funds do not directly impact the Air District’s budget. Staff costs for the administration of the Carl Moyer Program will be included under Program 607 – Mobile Source Grants in the proposed FY 2005/2006 Budget. CARB has allocated $57,364 to the Air District to be used to cover administrative and outreach costs related to the Carl Moyer Program.

The Air District is obligated to match each $2.00 received from the Carl Moyer Program with $1.00 in local funds. The Air District meets this obligation through the expenditure of Transportation Fund for Clean Air revenues on low-emission heavy-duty vehicle projects sponsored by local public agencies. As such, the local match requirement will have no impact on the Air District’s budget.

In previous years, the Air District’s administrative and outreach costs related to the implementation of the Carl Moyer Program were not covered by the funding provided by CARB. The $57,364 in Year 7 funds allocated by CARB for this purpose will reduce the use of the Air District’s limited general revenues.

Respectfully submitted,

Gary Kendall
Acting Director of Planning and Research

FORWARDED: ______________________________

Prepared by: David Burch
Reviewed by: Juan Ortellado

Attachment A

Proposed Procedures to Allocate Year 7 Carl Moyer Program Funds

The proposed procedures for distributing the Carl Moyer Program funds in the Bay Area for the Year 7 cycle are summarized below.

1. The Air District will comply with the program and project requirements and methodologies set forth in CARB's "Carl Moyer Program Guidelines," issued September 30, 2003, and subsequent Carl Moyer Program Advisories issued by CARB.

2. The Air District will accept applications for any eligible engine type as established by CARB. The Air District, at its sole discretion, may disqualify a project from consideration if it finds that the project is ambiguous, speculative, or that implementation may not be in compliance with Air District or CARB policies.

3. All applications will be reviewed and ranked by Air District staff from the most cost-effective to the least cost-effective, based upon CARB guidelines and methodology. Funding will be awarded to the most cost-effective projects, but in no case will a grant be awarded to any project with a cost-effectiveness above $13,600 per ton of emissions reduced (NOx, ROG, and PM).

   The California Health and Safety Code Section 43023.5 requires the Air District to distribute at least 50% of the Carl Moyer Program funds in those areas with the most significant exposure to air contaminants. Funding will be awarded on a competitive basis, with the most cost-effective projects generally receiving the available incentives. However, Air District staff may propose adjustments to the award rankings in order to fully comply with the requirements of this state law.

4. No applicant is guaranteed funding. Actual reimbursement of project costs by the Air District is conditional upon receipt of adequate funding from CARB.

5. The list of projects recommended for Year 7 Carl Moyer Program grants will be forwarded for review and approval by the Air District's Mobile Source Committee and the full Board of Directors. Applicants will receive formal notification of their incentives within fifteen (15) working days from the Board of Directors approval of their grant applications.

6. A successful applicant will have thirty (30) days from the date that the Air District issues a funding agreement governing the grant to sign the agreement. Failure to sign the funding agreement within thirty (30) days may result in the forfeiture of the incentive.

7. Grant recipients will be required to properly destroy any old diesel engine replaced with a Carl Moyer Program incentive.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Haggerty and
Members of the Mobile Source Committee

From: Gary Kendall
Acting Director of Planning and Research

Date: February 3, 2005

Re: Amendment to Transportation Fund for Clean Air Alameda County Program Manager Expenditure Program

RECOMMENDED ACTION

Recommend Board approval of the allocation of $75,000 of Transportation Fund for Clean Air (TFCA) funds as an amendment to the fiscal year (FY) 2004/05 Alameda County Program Manager TFCA expenditure program, awarding:

- $75,000 in additional funding to the City of Hayward for the Arterial Management, Interconnect System project number 96ALA08. With the additional funding, the total TFCA funding for this project increases from $350,259 to $425,259. Currently the Alameda County Program Manager unallocated funds balance is $1,209,348 and the requested $75,000 of additional funding will be allocated from this balance.

BACKGROUND

In July 2004, the Air District Board approved three projects totaling $1,004,008 in TFCA Program Manager funding for the Alameda County Congestion Management Agency (ACCMA). This left an unallocated balance of $1,209,348 in Alameda County Program Manager funds. The ACCMA has requested the allocation of $75,000 from this balance to TFCA project number 96ALA08.

DISCUSSION

On July 17, 1996, the Air District Board originally approved $101,431 in TFCA Program Manager funding for project number 96ALA08. TFCA project number 96ALA08 is the City of Hayward's Arterial Management, Interconnect System (consisting of Hesperian Boulevard, Winton Avenue, Soto Road, and D Street).

On October 22, 1998 the ACCMA Board of Directors consolidated three City of Hayward projects (96ALA08, 97ALA13, and 98ALA09) into one project and added an additional $14,733 in funding. The resulting total TFCA Program Manager funding for the project number 96ALA08 was $350,259.

On October 28, 1999 the ACCMA Board approved an additional $75,000 in project funding from FY2000/01 Program Manager funds for TFCA project number 96ALA08, bringing the project funding total to $425,259; however, this additional funding was not requested in writing to be allocated from Alameda County FY2000/01 Program Manager funds and thus was not approved by the Air District.

On November 10, 2004 the ACCMA submitted a letter to the Air District requesting that the approval of the allocation of the additional $75,000 in TFCA Alameda County Program Manager funds for 96ALA08 be presented at the next meeting of the Mobile Source Committee. The project is eligible for TFCA funding and met the Board- approved TFCA policies. Staff recommends that the Mobile Source Committee recommend Board approval of the allocation of $75,000 in TFCA Program Manager funds to project 96ALA08.

Aggregate Cost-Effectiveness Calculation
At the time of project approval in 1996, the aggregate cost-effectiveness calculation was not in effect. The project does meet the individual cost-effectiveness threshold that was in place at the time of funding approval.

<u>BUDGET CONSIDERATION/FINANCIAL IMPACT</u>

None. Currently the Alameda County Program Manager unallocated funds balance is $1,209,348 and the requested $75,000 of additional funding will be allocated from this balance.

Respectfully submitted,

Gary Kendall
Acting Director of Planning and Research

FORWARDED: ______________________________

Prepared by: Vanessa Mongeon
Reviewed by: Juan Ortellado