

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109

APPROVED MINUTES

Air Quality Planning Committee
9:30 a.m., Monday, June 16, 2008

1. **Call to Order:** Chairperson Drennen called the meeting to order at 9:30 a.m.

Roll Call: Harold Brazil, Ken Blonski, Irvin Dawid, William Hanna, Robert Huang, Ph.D., John Holtzclaw, Ph.D., Kendal Oku, and Emily Drennen, Chairperson.

Absent: Kraig Kurucz

2. **Public Comment Period.** There were none.

3. **Approval of Minutes of April 10, 2008:** Mr. Blonski moved for approval of the minutes, Mr. Holtzclaw seconded the motion, and the minutes were approved unanimously.

4. **Current State and Future Projections of Regional Transit Funding:** *Theresa Rommell, Senior Planner/Analyst from Metropolitan Transportation Commission (MTC) and staff from San Francisco Metropolitan Transportation Authority (SFMTA) provided the Committee with a presentation on transit funding.*

Sonali Bose, CFO, San Francisco Metropolitan Transportation Authority (SFMTA) provided the Committee with a presentation, stating that a revenue panel was convened by the Mayor to study ways to fund Muni and review a zonal fare. As part of the study, MTA evaluated three scenarios if the entire system were fare-free; 18%, 48% and 78% increases in ridership. They reviewed the cities of Austin and Denver's fare free systems, a ridership model, high peak data from bus and rail lines, the numbers of additional hours, vehicles, facilities and drivers needed. She provided statistics, scenarios and costs for each of the three scenarios which revealed that the MTA would need to add security to the system, enhance facilities and infrastructure, update their central control system and provide other upgrades.

Ms. Bose said that the MTA has responsibilities for everything on the street--parking, signals, bicycles, pedestrians, transit and soon it will add oversight of taxis. It will look at targeting parking garage rates for long-term parking and move short-term parking to the streets, tie parking to occupancy, and increase meter rates. They are also reviewing alternatives methods to pay for parking and making available parking information available through PDA's, targeted signage, and the Internet. She further discussed Muni's structural deficit of \$150 million and said a draft report is being finalized on ways to fund Muni.

Ms. Bose discussed possibilities for increased funding including additional general fund contributions, new revenues, increases in parking tax funds, the implementation of additional advertising. She also reported that the Regional Zone project for the Transit Consortium was reviewed on June 11th and the report showed there was not enough increased ridership to pursue the project.

Chair Drennen questioned what current revenues come into the MTA from the Air District and asked if there were any other relationships between transit agencies and Air Districts. Ms. Bose said because the Air District's requirements are specific and their transit projects are so large, they typically use the \$4-\$5 million in grant funds from the Air District to go toward smaller bicycle and pedestrian projects.

Committee Member Dawid questioned relationship between the TA and the MTA, felt that funding various projects like streetscape and pedestrian improvements could be a major source of revenue for MTA, and believed the Portland and Seattle models would be very successful. Ms. Bose discussed roles of the TA and MTA, planning oversight, how the half cent sales tax measure is allocated through the City of San Francisco to fund projects, user and non-user group funding structures, and said until MTA builds up its infrastructure, and that even fare-free transit only in the downtown would be constrained and require additional study.

Committee Member Holtzclaw said he was intrigued with the idea of combining fare free downtown with congestion pricing of the same area, which would probably handle most of the concerns about homelessness on transit. He questioned fares in parking garages which he believed were low, and Ms. Bose said they believe garages were very high and meters were low on streets. MTA wants to encourage getting shoppers onto the streets and longer-term drivers into garages. They will look at pricing and are experimenting with sensors in the ground, pricing, technology and demand.

Committee Member Blonski referred to a start-up private green transit bus system which has been following Muni routes, noting that it incorporates a fleet of vehicles at one of the piers and questioned to what degree the private sector was being asked to provide solutions. Ms. Bose said the revenue panel looked at privatizing fare collection but politically, she believed it would be very difficult to implement, given the impact on operators.

Chair Drennen, on behalf of the Air Quality Planning Committee, expressed thanks to Ms. Bose for her presentation.

Theresa Rommell, Senior Planner/Analyst from Metropolitan Transportation Commission (MTC) distributed a handout of revenue sources for their regional transportation plan and a statistical summary on transit ridership, operating costs, revenues, and performance measures. She discussed and provided definitions of revenue source categories. She also reported that the MTC estimates there will be a total of \$221 billion available for transportation over the next 25 years; however, of that amount \$191 billion has already been committed and trade-off discussions are being held regarding the allocation of the remaining \$30 billion.

Committee Member Holtzclaw acknowledged that MTC receives complaints when presenting information publicly because committed funds are based on decisions made for the half cent sales tax. However, when people are given a list of all projects, they are not given alternatives and many are concerned with calling those committed funds and then not reassessing the entire picture under the global warming scenario. Ms. Rommell agreed and said often, when a half-cent sales tax measure is passed there is already an expenditure plan tied to it, but MTC does not have any discretion of what is held in those expenditure plans. And, to re-evaluate what is in those plans would take some sort of voter initiative.

Committee Member Holtzclaw questioned if MTC was looking at an alternative that is more transit and smart growth-oriented and one that addresses global warming and the need to reduce vehicle miles traveled. Ms. Rommell said they have been formulating different scenarios that go toward fulfilling different priorities and this will be part of the trade-off discussions in upcoming months. She said there is also talk of HOT lane revenue and how those can go toward regional priorities.

Committee Member Holtzclaw said another place for advocacy is TEA-4 (successor to ISTEA and the two following surface transportation acts) which will be renewed next year, given a new administration that recognizes global warming. Ms. Rommell agreed and discussed her recent visit to Washington where discussion occurred on how to affect transportation specifically with the re-authorization, and she believed a better streamlined funding process was needed by the federal government.

Ms. Rommell referred to the statistical summary on page 4; Region-Wide Transit Systems and said fare box accounts for 20% in total regional revenues. The rest come from TDA, STA, federal transit grants, county sales tax, and other grant funding which she said could be found on various city transit agency websites. She distributed the “ABCs of MTC” booklet and agreed to return in the future with additional information, as requested.

Chair Drennen questioned how the Air District currently fits into the funding picture for transit regionally, and Ms. Rommell said approximately \$300 million over a 25-year period is derived from AB 434 funds, most of which are used by individual jurisdictions and transit agencies. She was not aware of other jurisdictions where Air Districts provided funding for transit.

Committee Member Dawid said some would argue that transit eats up three-quarters of both regional and local transportation budgets, and Ms. Rommell agreed and said approximately 60% goes toward supporting transit to fund capital. One of their goals at MTC is to make transit more efficient, less expensive and a course for achieving this might be to consolidate some of the smaller transit agencies in the region.

Committee Member Holtzclaw believed this did not compare the total cost of the system, as there are many subsidies to driving such as parking, health care, insurance and congestion costs. He believed there should be a multiplier effect and lumping together all costs into the same category if comparing cars to transit.

Committee Member Brazil referred to Page 9 of the Statistical Summary and questioned if there were any performance threshold requirements for transit operators. Ms. Rommell said fare box recovery is one requirement for operators to receive funding. Some requirements vary and those who do not meet the requirement are allowed to go through a performance improvement process in order to allow them an opportunity for correction.

Chair Drennen referred to increased fares, cuts in service and the need for balanced budgets, and questioned what model was used by operators given constrained budget conditions. Ms. Rommell said for the RTP on the capital side, in order to replace buses and ensure a well-run system, they have identified a deficit of \$21 billion over the next 25 years. Therefore, when vehicles need replacement there will not be sufficient funding. On the operating side, it is not quite as dire but there are projected deficits over the 25 year period of about \$4-5 billion.

She said opportunities arise such as the spill-over funding operators received which was significant in 2006/07; however, most of this went towards filling the prior deficit. Now with the State’s budget cuts to transit funding, operators are right back where they were so there will constantly be deficits where fares or services will be affected.

Chair Drennen questioned options other than a gas tax, and Ms. Rommell said the gas tax would provide about \$3 billion over a 10-year period which would be the most significant, but a secondary tax could be another bridge toll. She said there is a lot of controversy over the expansion of HOT lanes because where the revenues are generated may not be where they should be spent, and MTC estimates getting over \$5 billion net over a 25 year period for HOT lanes.

Chair Drennen, on behalf of the Air Quality Planning Committee, thanked Ms. Rommell for her presentation.

5. Discussion of Air District Fees from Vehicle Registration: *The Committee received a presentation on Air District fees from vehicle registration.*

David Wiley, Supervising Environmental Planner, provided a presentation and information on motor vehicle registration fees received by the Air District from surcharges. Two sources which are dictated by legislation include \$4 for AB 434; Transportation Fund for Clean Air, and \$2 for AB 923; the Mobile Source Incentive Fund.

Regarding AB 434, Transportation Fund for Clean Air projects eligible under law include:

- Purchase or lease of clean air vehicles;
- Vehicle-based projects, i.e., retrofits and repowers of heavy-duty diesel vehicles, alternative fuels, and advanced technology demonstrations;
- Shuttle and feeder bus service to train stations;
- Ridesharing programs to encourage carpool and transit use;
- Arterial management improvements;
- Smart growth;
- Transit information systems;
- Bicycle facility improvements;
- Demonstrations in telecommuting and congestion pricing;
- Smoking vehicle program;
- Vehicle buy-back programs.

Regarding AB 923, Mobile Source Incentive Fund, projects eligible under law include:

- Engine-based projects eligible under the Carl Moyer Program;
- Certain agricultural source projects;
- Purchase of school buses;
- Accelerated vehicle retirement or repair program.

Committee Members confirmed with Mr. Wiley that the \$4 fee brings in \$25 million annually and 40% is sent directly to the Congestion Management Association and spent on various expenditure plan categories. The \$2 fee brings in \$12 million annually and 60% of this is administered by the Air District which goes into matching funds, the Vehicle Retrofit Program, the Carl Moyer Program, the Smoking Vehicle Program and other programs.

Committee Member Dawid said Chair Drennen was referring to a statewide registration fee as opposed to a surcharge which would be best addressed on a statewide level as opposed to locally being added on. He noted that the State of Washington has a weight-based, tiered registration fee whereas California's fee is based on the value of the vehicle, and there is also a flat registration fee for about \$30-\$40 which the State charges. He referred to the AB 923 funds and said Los Angeles is using a remote sensing device for high-emitting vehicles as they enter freeways. Mr. Wiley said the Air District has no current plans to implement remote sensing devices, agreed it was being reviewed in the south coast heavily and is a significant technology investment.

Committee Member Dawid confirmed that in the last fiscal year, \$800,000 went toward funding the Smoking Vehicle Program, \$4-5 million went toward funding the Vehicle Buyback Program, and that the two programs account for one-quarter of the total \$25.5 million for the TFCA.

Committee Member Holtzclaw felt the two programs were formed when the Air District was only concerned about smog and particulates, and he said he thinks Mr. Dawid's argument pertained well to the usual criteria pollutant health concerns much more so than to global warming gases.

Committee Member Brazil referred to TFCA process and the bus retrofit program, said some transit operators were having problems getting monies due to the stringent reporting requirements and do not apply for funding. Mr. Wiley and Ms. Roggenkamp acknowledged the situation and indicated the Air

District could try to make the process more streamlined but could not be relieved of its responsibility and accountability of the funds.

Chair Drennen questioned how the mobile source incentive fund came about and if something similar were to be done to address global warming, what would the process look like. Ms. Roggenkamp said it was a standard legislative process and it can be formulated by legislators, the COA or the industry. Chair Drennen confirmed that the \$6 fee was statewide and each District Board must pass a resolution that allows the DMV to sequester the local funds; some are strongly supported by industry groups who see that reducing emissions is the goal and one way to do this is impose a tax on the source.

Committee Member Blonski referred to the TFCA funds and said the East Bay Regional Parks District has many heavy duty diesel vehicles which are extremely difficult to maintain, given retrofit requirements. He questioned if there was a monitoring component to address the impact or efficacy of the retrofit program's efficiency. Mr. Wiley said he has heard of similar concerns of the need for vehicles to build up to a certain temperature in order for the catalysts to operate and if not logged ahead of time, the devices will collect the PM and backup. However, a large majority of them operate well and achieve reductions. Ms. Roggenkamp acknowledged that the issue was being discussed, manufacturers are alerted when difficulties arise and technology is advancing which will address problems with new devices.

Committee Member Blonski reported that the Burlington Northern/Santa Fe Railroad has an entire series of new, efficient locomotives and Mr. Bungler discussed the development and testing of the new engines by Union Pacific and said ideas are evolving that seek to improve railroad efficiencies and operations.

Committee Member Dawid further discussed smog abatement fees and AB 118 funds, an added statewide surcharge which is an index gas tax based on the retail price or a flat registration fee. From the Committee's perspective it may be beneficial to look at a vehicle registration surcharge as opposed to looking at the actual registration itself, strictly regional or statewide.

Chair Drennen summarized the discussion, stating the Committee heard presentations on HOT lanes, and that there seemed to be some policy issues that have not been addressed on a regional level, including how money is raised and spent as well as equity issues. She further summarized that the Committee has interest in developing policy recommendations on this topic that would eventually go to the Advisory Council and then onto the Board of Directors.

Chair Drennen further summarized that the Committee heard about some of the difficulties the SFMTA have experienced with their transit funding, and how the Air District receives transportation monies from the region. She questioned if there was interest in moving forward to marrying those two--increased regional transit funding from Air District-led fees or other measures such as vehicle license fees or surcharges.

Committee Member Dawid said he believed AB 434 funds are very low, and said that vehicle buy-back is the largest percentage of the registration surcharge and also the most effective measure. He felt monies were best being used the way they are—in trying to clean up existing roads. He also thought HOT lanes present a great potential for funding public transit and there is a real nexus; however, his only concern is that the Air District is not an advisory body to a transit agency.

Chair Drennen said that she sees one potential committee work product which would be an Air District policy on HOT lanes and congestion pricing. She questioned if there was interest pursuing an additional work product to find more funds that could be spent on transit. Committee Member Holtzclaw said he would be supportive of looking at a policy statement coming from the Committee to support congestion pricing, including how the Air District could fund projects and where that money would be spent. Committee Member Blonski suggested first identifying the pros, cons and benefits of such a policy, but voiced support for such a policy.

The Committee voiced interest in reviewing a policy statement to support congestion pricing, and Chair Drennen suggested a presentation be scheduled for the next meeting in August relating to transportation pricing and HOT lanes, that the Committee receive more clarity on types of HOT lanes and congestion pricing projects, how they increase and decrease air quality and how the Air District would determine funding for such projects.

6. Committee Member Comments/Other Business - None

7. Time and Place of Next Meeting: 9:30 a.m., August 11, 2008 – 939 Ellis Street, San Francisco, CA 94109.

Chair Drennen confirmed with Committee members that the second Monday of the month was the preferred meeting date, and the next meeting would be held on August 11, 2008.

Committee Members discussed the proposed High Speed Rail Initiative on the November ballot, supported review of information on pollution or CO₂ emissions per passenger mile for rail or air and recommended evaluating the High Speed Rail Initiative in order to arrive at a recommendation for the Advisory Council in September, prior to the November election. They also recommended that the August agenda include the crafting of a HOT lanes and Congestion Pricing policy statement, and Committee members Holtzclaw, Hanna and Blonski agreed to meet as an Ad Hoc Committee to draft a resolution on the High Speed Rail Initiative to be agendized for review and recommendation to the full Advisory Council at their September 10, 2008 meeting.

8. Adjournment: 11:48 a.m.

/s/ Lisa Harper
Clerk of the Boards