



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
MOBILE SOURCE COMMITTEE

COMMITTEE MEMBERS

TIM SMITH - CHAIRPERSON
ROBERTA COOPER
JERRY HILL
JULIA MILLER
MICHAEL SHIMANSKY

JAKE McGOLDRICK – VICE CHAIRPERSON
JOHN SILVA
PAMELA TORLIATT
MARLAND TOWNSEND
SHELIA YOUNG

THURSDAY
JANUARY 12, 2006
9:30 A.M.

FOURTH FLOOR CONFERENCE ROOM
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 OCTOBER 24, 2005**
4. **CALIFORNIA AIR RESOURCES BOARD MEMORANDUM OF UNDERSTANDING (MOU) WITH UNION PACIFIC AND BNSF RAILROADS**
H. Hilken/4642
hhilken@baaqmd.gov
Dean Simeroth of the California Air Resources Board staff will provide an overview of the MOU between ARB and the UP and BNSF Railroads.
5. **AUDIT OF THE TRANSPORTATION FUND FOR CLEAN AIR (TFCA) REGIONAL FUND**
H. Hilken/4642
hhilken@baaqmd.gov
Staff will provide a report on the audit of projects funded by the Transportation Fund for Clean Air Regional Fund.
6. **REALLOCATION OF DIESEL BACK-UP GENERATOR MITIGATION FUNDS TO FUND HYBRID ELECTRIC TRUCKS**
H. Hilken/4642
hhilken@baaqmd.gov
The Committee will consider recommending Board of Director approval of reallocating \$100,000 in diesel back-up generator mitigation funds to fund four hybrid electric trucks.

7. **PRESENTATION COMPARING THE COST OF DIESEL VERSUS NATURAL GAS FUEL**

H. Hilken/4642
hhilken@baaqmd.gov

The Committee will receive a presentation from staff and Sam Altshuler of PG&E on the price differential between the cost of diesel and natural gas fuel.

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., THURSDAY, FEBRUARY 9, 2006, 939 ELLIS STREET, SAN FRANCISCO, CA**

10. **ADJOURNMENT**

**CONTACT CLERK OF THE BOARDS - 939 ELLIS STREET
SAN FRANCISCO, CA 94109**

**(415) 749-4965
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.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and Members
of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: December 13, 2005

Re: Mobile Source Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Mobile Source Committee meeting of October 24, 2005.

DISCUSSION

Attached for your review and approval are the draft minutes of the October 24, 2005, Mobile Source Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

**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
Immediately Following the Public Outreach Committee Meeting
Monday, October 24, 2005

1. **Call to Order – Roll Call:** Chairperson Scott Haggerty called the meeting to order at 10:32 a.m.

Present: Scott Haggerty, Chairperson; Jerry Hill, Jake McGoldrick (10:55 a.m.), John Silva.

Absent: Patrick Kwok, Nate Miley, Tim Smith, Pamela Torliatt, Shelia Young.

Also Present: Marland Townsend.
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of July 14, 2005 and September 13, 2005:** Lacking a quorum, approval of the minutes was deferred.
5. **AB 1390 Methodology for Carl Moyer Program:** *Staff provided the Committee with an overview of the methodology to be used during the upcoming Carl Moyer Program funding cycle to comply with the requirements of AB1390 (Lowenthal).*

David Burch, Principal Environmental Planner, presented the report and reviewed the key provisions of AB 1390 (Lowenthal), which was signed into law in October 2001. The original methodology was developed in 2002 and has been used for the past three Carl Moyer Program cycles (Years 4, 5 and 6). Mr. Burch discussed the objectives for the revised methodology and noted that consideration of low-income areas is a new criterion in the revised methodology. Mr. Burch provided a summary of the Carl Moyer Program grant allocation process.

Jack Broadbent, Executive Officer/APCO, stated that when the Air District's Community Air Risk Evaluation (CARE) Program begins, the District will be able to integrate that information in its methodology to help achieve the objective of AB 1390 to target Carl Moyer Program funds and other state incentive funds to reduce emissions in communities that are significantly impacted by air pollution.

Committee Action: The Committee received and filed staff's revised AB 1390 methodology.

6. **Committee Member Comments/Other Business:** There was discussion on the lack of attendance at the Committee meeting and that consideration be given to scheduling the meetings on a set day and time.
7. **Time and Place of Next Meeting:** The next meeting of the Committee is scheduled for 9:30 a.m., Wednesday, November 9, 2005, 939 Ellis Street, San Francisco, CA 94109
4. **Transportation Fund for Clean Air (TFCA) Regional Fund Grant Awards For FY 2005/06:**
The Committee considered recommending Board of Director approval of FY 2005/2006 TFCA Regional Fund grant awards.

Juan Ortellado, Grant Programs Manager, presented the report and reviewed the background of the program, which included the screening of applications, funding, and scoring criteria. Mr. Ortellado stated that for fiscal year 2005/06, 74 applications were submitted. Of the 74 applications, three were ineligible, two were withdrawn, and 52 projects are being recommended for funding.

Attachments 1 and 2 and Tables 3 and 4 of the staff report were reviewed. Mr. Ortellado stated that staff recommends the Committee recommend Board of Director approval of the fiscal year 2005/06 TFCA Regional Fund grant awards, totaling \$12.4 million, listed on Attachment 1 of the staff report.

Director Jake McGoldrick arrived at 10:55 a.m.

There was considerable discussion on the projects not recommended for funding. The Committee directed staff to include additional information for these projects in future reports, such as the total scores and cost effectiveness.

Jean Roggenkamp, Deputy APCO, stated that the majority of the projects that were not recommended for funding did not score at least 40 points.

Speakers: The following individuals spoke on this agenda item:

Andy Thornley
San Francisco Bicycle Coalition
San Francisco, CA 94103

Mike Ellzen
Golden Gate Park Concourse Authority
San Francisco, CA 94117

Tom Stoflet
San Jose International Airport
San Jose, CA 95112

During further discussion on several projects, Chairperson Haggerty stated that a workshop should be scheduled so the Committee members can discuss each project category in-depth.

Committee Action: Director Silva moved that the Committee recommend Board of Director approval of the staff recommendation and that a workshop be conducted to review the criteria for selected project categories eligible for TFCA funding; seconded by Director Hill.

During discussion, Chairperson Haggerty suggested the review should go back at least three years. Mr. Broadbent stated that a consultant is doing the work now and the information will be brought back to the Committee early next year. The motion then passed unanimously without objection.

- 3. Approval of Minutes of July 14, 2005 and September 13, 2005:** Director Hill moved approval of the minutes; seconded by Director Silva; carried unanimously without objection.
- 8. Adjournment:** The meeting adjourned at 11:47 a.m.

Mary Romaidis
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 5, 2006

Re: The California Air Resources Board Memorandum of Understanding with the
Union Pacific Railroad and Burlington Northern Santa Fe Railway

RECOMMENDED ACTION:

Receive and file.

BACKGROUND

The California Air Resources Board (CARB) signed a Memorandum of Understanding (MOU) with the Union Pacific Railroad (UP) and Burlington Northern Santa Fe Railway (BNSF) in June, 2005. The MOU obligates the railroads to significantly reduce diesel locomotive emissions in and around specified rail yards in California. The rail yards in the Bay Area covered under the MOU include the UP yards in Oakland, Martinez, and Milpitas and the BNSF yards in Richmond and Pittsburg.

The MOU has been the subject of a number of public workshops and a hearing before the CARB Board. Air District staff provided verbal and written comments on the MOU at the workshop and public hearing. A final hearing before the CARB Board is scheduled for January 26, 2006.

DISCUSSION

Dean Simeroth from the Air Resources Board will provide an overview of the MOU.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Michael Murphy
Reviewed by: Henry Hilken

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 5, 2006

Re: Transportation Fund for Clean Air (TFCA) Regional Fund Audit Report

RECOMMENDED ACTION:

Receive and file the results of TFCA Audit Report #8, an audit of completed TFCA Regional Fund projects, including the auditor's findings and recommendations for actions to address financial and administrative issues.

BACKGROUND

State law requires that, at least once every two years, any agency receiving TFCA funding be subject to an audit of each project funded. The Air District retained the services of Macias, Gini & Company, an independent auditor, to conduct financial and compliance audits of 44 completed TFCA Regional Fund projects completed through the period ended June 30, 2004. The audit process was conducted during the months of June, July, August and September of 2005 and covered all fiscal and compliance activities that took place during the implementation of the projects. The auditor's Summary Report is attached and a list of audited projects is provided in Attachment C of the Audit Summary Report. Because of the varying rates of project completion, the projects covered in this audit were awarded grants between fiscal years 1996 and 2002. The audit was performed in accordance with the requirements outlined in California Health and Safety Code Section 44242 and in individual funding agreements.

Most of the issues identified in the audit findings were minor and are being addressed through discussions between Air District staff and the Regional Fund project sponsors to help avoid these problems in the future.

DISCUSSION

Macias, Gini and Company found no major financial problems with the accounting and expenditure of TFCA funds in their review of 42 of the 44 audited projects, as indicated in the attached audit Summary Report. All of the project sponsors of the 42 projects were able to account for the TFCA funds they had received and document that the funds were expended for the intended projects.

The auditor determined that two project sponsors did not account for TFCA funds adequately. These project sponsors expended TFCA funds without the adequate financial documentation to justify the expense, and a disclaimer report for each of these two projects

was issued by the auditor. Disclaimer reports are issued when an auditor reviews an agency's financial statements and cannot, based on these statements, form an opinion as to the appropriateness of the expenditures of the funds being audited.

The Livermore Amador Valley Transit Authority (LAVTA) was granted \$45,000 in TFCA Regional Funds in fiscal year 2001/2002 to implement a middle and high-school free transit pass program in the Tri-Valley area (project #01R24). However, LAVTA did not track the number of student riders on LAVTA bus routes and, therefore, the actual number of student passes used could not be verified. After a review of LAVTA's records, the auditor determined that the information necessary to verify the appropriateness of the use of the TFCA funds for the free transit pass program had not been provided by LAVTA, and issued a disclaimer report for this project. In response, LAVTA states that instead of using the TFCA funds to print student passes, the funds were used to offset the operating costs of providing free service to students in the LAVTA service area through the first eight weeks of school. Air District staff is working with LAVTA staff to obtain documentation that the TFCA funds were appropriately used to cover the operating costs of those routes during the free transit pass program project period.

The auditor also issued a disclaimer report for a California Department of Transportation District 4 (Caltrans) bicycle locker project funded in fiscal year 1998/1999 (project #98R27). The auditor requested timesheets to verify labor costs incurred during implementation of the project, but Caltrans was unable to provide any timesheets related to this project. In the absence of evidence to support these labor charges, the auditor could not substantiate the labor costs claimed by Caltrans, and was unable to render an audit opinion on expenses for this project. The TFCA funding agreement requires that the project sponsor maintain timesheets with labor costs incurred during the implementation of a project; however, the time taken to complete this project exceeded Caltrans' internal policy for document retention, and, following that policy, the timesheets for this project were not retained. To avoid this type of situation in the future, Air District staff will explore the feasibility of a time limit to complete TFCA projects.

Except for the above two projects, the auditor concluded that TFCA revenues were adequately accounted for and used to reduce emissions from motor vehicles. The remaining findings in the audit report are minor in nature and fall into six administrative categories associated with reporting and monitoring of project funding agreement requirements: 1) record retention; 2) missing report information; 3) line item budget compliance; 4) separate accountability for TFCA (regional and local) project expenditures; 5) failure to submit quarterly reports on a timely basis to the Air District; and 6) lack of use of the Air District logo or acknowledgement of the Air District's participation in the funding of the project in promotional materials.

AUDIT RECOMMENDATIONS

The auditor made several suggestions to help improve the administration and fiscal management of TFCA funds:

- 1) The Air District should conduct "interim audits" for all projects that are not completed within three years from the date of the funding agreement to ensure supporting documentation is available for audit purposes.

- 2) Inclusion of a penalty provision within the funding agreements to emphasize the importance of timely reporting.
- 3) Develop a checklist to aid review of reports for required information.
- 4) Separate accountability for project expenditures for projects funded with Regional and local (i.e., County Program Manager) TFCA funds.
- 5) The Air District should impose penalty provisions that address failure to follow the use of the District's logo and publicity requirement.

All of the auditor recommendations are already adequately addressed in the TFCA program except for recommendation number one, interim audits. Staff will develop a method to address this recommendation in the next revision of the TFCA policies.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Andrea Gordon
Reviewed by: Henry Hilken

Attachment

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**

Audit Summary Report
TFCRA Regional Fund

For the Project Period Ended June 30, 2004

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report
TFCA Regional Fund

For the Project Period Ended June 30, 2004

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BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

INTRODUCTION

The Bay Area Air Quality Management District (District), created by the California Legislature in 1955, is the state's first regional agency dealing with air pollution. The District regulates stationary sources of air pollution in the San Francisco Bay Area. The District's jurisdiction includes Alameda County, Contra Costa County, Marin County, Napa County, City/County of San Francisco, San Mateo County, Santa Clara County, southern Sonoma County, and south-western Solano County. The primary mission of the District is to achieve ambient air quality standards designed to protect the public's health and the environment. The District is governed by a 22-member Board of Directors who has the authority to develop and enforce regulations for the control of air pollution within its jurisdiction.

The State of California Health and Safety Code Sections 44241 and 44242¹ authorize a surcharge on the motor vehicle registration fee (surcharge) to be used by the District and local governments to fund projects that implement transportation control measures in accordance with the District's Clean Air Plan. These projects are designed specifically to reduce air pollution from mobile sources. The Department of Motor Vehicles (DMV) collects the surcharge and subvenes the amounts collected to the District.

The District administers a portion of these funds through the Transportation Fund for Clean Air (TFCA) program. Under the TFCA Program, money is allocated to two funds: (1) 60% is placed in a Regional Fund for distribution by the District, and (2) 40% is placed in the Program Manager Fund and allocated to designated agencies (known as Program Managers). Program Managers are responsible for allocating funds to eligible agencies within a specific geographic area subject to approval by the District. Allowable projects under Health and Safety Code Section 44241 include the following:

- Ridesharing programs
- Purchase or lease of clean fuel buses for schools and transit operators
- Provision of local feeder or shuttle bus service to rail stations, ferry stations and airports
- Arterial traffic management projects
- Demonstrations in congestion pricing of highways, bridges and public transit
- Rail bus integration and regional transit information systems
- Low emission vehicle projects
- Bicycle facility improvement projects
- Physical improvements that support "Smart Growth" projects ²

¹ Health and Safety Code Sections 44241 and 44242 are provided in Attachment A and B.

² A smart growth project is a project that promotes development of communities that encourage alternatives to the automobile, such as transit, walking and cycling.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

State law requires that any agency receiving TFCA funding be subject to an audit, at least once every two years³. Health and Safety Code Section 44242 provides legal compliance guidelines for the District to follow in the event revenues are not spent appropriately or when projects do not result in emission reductions.

The District retained the firm Macias Gini & Company LLP, Certified Public Accountants, to conduct financial and compliance audits of completed projects funded through the Regional Fund for the project period ended June 30, 2004. These audits were conducted during the months of June through September 2005. A listing of the 44 projects audited is provided in Attachment B.

AUDIT PROCESS

The audits were designed to address numerous financial and compliance objectives; however, the principal objectives of the audits were to (1) to provide assurance that amounts reported in the schedules of expenses are fairly stated, and (2) determine whether projects financed through the District's Regional Fund met funding agreement requirements. The audit procedures were specifically designed for TFCA financial and compliance requirements. The audit approach is described below:

Auditing Standards and Specific Procedures

The financial audits were performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States for the project period ended June 30, 2004.

Procedures performed included, but were not limited to:

- Gaining an understanding of the project sponsors' internal controls over financial reporting through observation, inquiry and review of supporting documentation.
- Tracing expenditures reported in the close out report, for completed projects, to the general ledger.
- Vouching TFCA revenues to supporting evidential matter.
- Vouching TFCA expenditures related to vendor disbursements, payroll and administrative charges to supporting documentation.
- Determining whether advanced TFCA funds were held in interest bearing accounts; and that the interest generated from the TFCA funds was used on approved TFCA projects.
- Conducting interviews with project sponsors to inquire about known, alleged or suspected fraud related to the program.

3 The District has interpreted this to mean that every two years they will engage an independent audit firm to audit projects completed during that time period.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Compliance Auditing Procedures

The audits were performed in accordance with the requirements outlined in the Health and Safety Code, individual funding agreements and *Government Auditing Standards*. The principal focus of the compliance auditing procedures was to ensure TFCA revenues were used in accordance with the program's objectives (i.e., for the reduction of emissions from motor vehicles.) Detailed tests on select transactions were performed to verify compliance with the Health and Safety Code and individual funding agreements, but were not designed to provide assurance on overall project compliance.

Auditing procedures performed included, but were not limited to:

- Testing expenditures for allowable costs in accordance with section 44241 of the Health and Safety Code.
- Determining whether the project sponsor submitted detailed invoices to the District for reimbursement as required in Attachment A of the funding agreement.
- Determining whether the project sponsor submitted to the District all reports and that the reports contained all information required as specified on Attachment C of the funding agreement.
- Determining whether administrative costs were adequately supported and did not exceed the 5% cap.
- Determining whether other specific terms of the funding agreement were adhered to; i.e., proper monitoring, use of the TFCA logo, acknowledgement of District as a funding source, etc.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

CURRENT PERIOD FINDINGS AND RECOMMENDATIONS

A summary of audit findings is provided below.

Finding 2004-1 Disclaimer Reports

Livermore/Amador Valley Transit Authority - Attachment A of the funding agreement (agreement) between the District and Livermore Amador Valley Transit Authority (LAVTA), allows for reimbursement of \$45,000 related to a student ticket purchase program sponsored by LAVTA in the Tri-Valley area. The agreement states that invoices for reimbursement (submitted to the District) -

“shall specify the time period of the invoice; state the number of tickets purchased under the program; itemize staff charges to the project, if any; any payments to vendors, consultants, or contractors with an explanation of the goods or services provided for the project.”

However, LAVTA did not specifically track project expenditures or maintain any other auditable support for the \$45,000 in charges claimed for reimbursement. Instead, LAVTA developed an estimate based on ridership trends. After evaluating LAVTA’s estimate, we determined that adequate evidence to support our audit opinion could not be obtained. Situations like this, that preclude auditors from performing necessary auditing procedures, are referred to as scope limitations. Due to a lack of substantive evidence and because we have no alternative way of substantiating the amount of tickets used in this program, we were unable to form an audit opinion and have therefore issued a disclaimer report⁴ on this project. We recommend the District discontinue the allowance of reimbursements to projects that substantially deviate from the terms of the agreement. In this case, the deviation was so significant that it rendered the schedule of expenses for this project un-auditable. Additionally, the District should consider whether the procedures outlined in Health and Safety Code 44242(c) should be performed.

California Department of Transportation - Attachment A of the funding agreement (agreement) between the District and the California Department of Transportation – District 4 (Caltrans) allowed for \$84,000 of funding for the purchase and installation of bicycle locker units. In connection with our audit we requested time sheets to test labor costs incurred in the implementation of the project. However, Caltrans informed us that they were unable to provide time sheets related to this project. In the absence of evidence to support these labor charges, we were not able to substantiate the amount of labor costs claimed by Caltrans, and therefore unable to render an opinion on the schedule of expenses for this project. Accordingly, we have issued a disclaimer report. See comments and recommendation at 2004-2, *Record Retention*.

4 Auditors will issue disclaimer reports when it is not possible to perform procedures sufficient in scope to enable the auditor to form an opinion on the financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Finding 2004-2 Record Retention

All project funding agreements contain provisions requiring mandatory record retention. There are two sections of note: (1) Section II.3 of the funding agreement requires project sponsors to - “*keep necessary records of project activities expenses and charges to document and support invoices submitted to the . . . District*” and, (2) Section IV.1 states - “*This agreement will remain in effect for three (3) years after the completion of the project . . .*” From these provisions, we understand the requirements to mean project sponsors must maintain all necessary records related to the project for at least 3 years following completion of the project.

Twenty-seven of the forty-four projects (61%) we audited had funding agreements dated prior to 2001. In fact, some of the agreements go back as far as 1996. Given the significant time period between project inception and project audit, several project sponsors have struggled to provide the necessary documentation needed for purposes of the audit. In one case, a project sponsor simply could not provide the information. These difficulties are due, in part, to conflicts between the record retention policies of the project sponsors and those stipulated in the funding agreements. Additionally, sometimes requested records have been lost or otherwise misplaced due to turnover in project management staff.

Failure to maintain project records could result in an audit scope limitation. In other words, without sufficient records, we may be unable to develop enough evidence to render an opinion on the schedule of expenses for the project. To avoid this problem, we recommend the District conduct “interim audits” for all projects extending beyond three years from the date of the funding agreement.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Finding 2004-3 Late Filing of Reports

Attachment C of the funding agreement requires Project Sponsors to submit quarterly status reports from project inception through project completion. Once a project is completed, the project sponsor is required to submit a final “close out” report. While performing our audits, we noted a significant level of noncompliance with report filing requirements. A summary of Project Sponsors who late filed reports is provided in the table below.

<u>Project Sponsors</u>	<u>Project Numbers</u>
Bay Area Rapid Transit	96R81
City of Suisun City	00R49
City of Dublin	99R65
Sonoma County Transit	00R33
	99R43
	99R42
City of Berkeley	00R57
City of Sunnyvale	00R17
City of Oakland	00R26
San Francisco Municipal Transportation Agency	97R99
	99R15
Presidio Trust	00R68
Santa Clara Valley Transportation Authority	01R39
City of Berkeley	00R56
City of Oakland	00R26
San Francisco International Airport	99R29
City of Belmont	00R62
Livermore/Amador Valley Transit Authority	01R24
Solano Transportation Authority	96R54
County of Sonoma	99R41
City of San Jose	99R55
	01R23
County of San Francisco	00R65
	02R45
City of Walnut Creek	01R10
City of Union City	01R13
	02R53
City of Orinda	01R41
City of Alameda	02R15
County of Alameda	02R25
	98R75
Peninsula Corridor Joint Powers Board	02R54
University of California, Berkeley	96R114
City of Cupertino	97R11
City of Santa Rosa	99R16

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Since the inception of the TFCA Regional Fund program project sponsors have regularly failed to timely file reports with the District. We recommend the District consider inclusion of a penalty provision within the funding agreements to discourage this behavior and emphasize the importance of timely reporting.

Finding 2004-4

Missing Report Information

Attachment C of the funding agreement calls for various information to be included in both the quarterly progress reports and the final report. We noted several project sponsors failed to include all required information in their reports. A summary describing the type of information missing, by project, is provided in the following table.

<u>Project Sponsors</u>	<u>Project Numbers</u>	<u>Type of Information Missing</u>
BART ⁵	96R81	Redeployment Plan for missing lockers
City of Dublin	99R65	No indication that the Air District is mentioned in promotional materials
San Francisco International Airport	00R66	Vehicle identification numbers
Santa Clara Valley Transportation Authority	01R39	Vehicle identification numbers
City of Santa Rosa	99R16	Summary of problems or future plans
Solano Transportation Authority	96R54	Survey, photos, accounting, and promotional information
Sonoma County Transit	99R43	Vehicle identification numbers
City of Sunnyvale	00R17	Future plans to purchase similar trucks
City of Union City	01R13	Summary of problems encountered and future plans
University of California, Berkeley	96R114	No indication that the Air District is mentioned in promotional materials

We recommend the District develop a checklist to review these reports upon submission and reject all reports failing to contain the required information. Additionally, resolution and follow up procedures should be developed.

⁵ As a result BART surrendered the 15% retention in the amount of \$95,477.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Finding 2004-5

Metropolitan Transportation Commission Funding

The Air District entered into a funding agreement with the Metropolitan Transportation Commission (MTC) to fund project 02R40 for a regional rideshare program. In accordance with the funding agreement, the District was to provide funding for up to 50.1% of the project costs, provided these costs did not exceed \$3,900,555. The project came in under budget at \$3,494,942 and MTC was reimbursed in the amount of \$1,730,106 or 49.5%. We have advised the MTC, based on our understanding of the funding agreement, it is unclear whether MTC is eligible to receive an additional \$20,860 or .6% based on the funding agreement. We recommend the District further review the finding on this project.

Finding 2004-6

Maintaining Separate Accountability

The District entered into a single funding agreement with the (MTC), which provided funding from both the Regional Fund and the Program Manager Fund for a single program. MTC pooled these resources with other non-TFCA resources to finance the program. During our audit, we noted that the MTC did not maintain separate accountability for expenditures related to these program resources, which made it difficult to audit the program from a “Regional Fund” only perspective.

When funding a single project through both the Regional Fund and the Program Manager Fund, we suggest the District include a requirement in the funding agreement to maintain separate accountability for project expenditures, by funding agreement. This will facilitate the audit process and enhance the program’s monitoring and administration process.

Finding 2004-7

Budgetary Compliance and Control

During the course of our audits, we noted the level of detailed budget information included in Attachment A of the funding agreements varied significantly from one project to another. More specifically, 26 out of the 44 projects audited had single line item budgets, whereas the remaining 18 projects had multiple line item budgets. It is unclear whether project expenditures are required to be controlled at the “line item budget level” or at the “total project budget level.” We recommend the District clarify its intent on this issue and adopt monitoring procedures as appropriate. For example, if the District intends to maintain control at the line item level, project sponsors should be required to report on the projects at this level of detail during the course of the project. As quarterly reports are submitted and reimbursements requested, District staff should review these submissions for budgetary compliance.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Finding 2004-8

Enforcement of Logo and Publicity Requirements

The funding agreement requires the District's approved TFCA logo be applied to any vehicles leased or purchased with TFCA funds and that the District be acknowledged in any project related publicity materials. We noted the City of Berkeley and City of San Jose did not apply the District's approved TFCA logo to vehicles funded by the TFCA program. Additionally, the City of Dublin (Dublin), the University of California at Berkeley (Cal), and Solano Transportation Authority (STA) failed to acknowledge the District in their project related publicity materials.

We recommend the cities of Berkeley and San Jose obtain and apply the approved District logo, to the vehicles and send District staff a picture capturing the logo on the vehicle accompanied by a signed confirmation as verification and proof of compliance. To address project sponsors like Dublin, Cal and STA, who fail to mention the District in their project related promotional campaigns, the District should consider imposing penalty provisions that addresses failure to follow the District's logo and publicity requirements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Attachment A

Health and Safety Code Section 44241

44241. (a) Fee revenues generated under this chapter in the bay district shall be subvended to the bay district by the Department of Motor Vehicles after deducting its administrative costs pursuant to Section 44229.
- (b) Fee revenues generated under this chapter shall be allocated by the bay district to implement the following mobile source and transportation control projects and programs that are included in the plan adopted pursuant to Sections 40233, 40717, and 40919:
- (1) The implementation of ridesharing programs.
 - (2) The purchase or lease of clean fuel buses for school districts and transit operators.
 - (3) The provision of local feeder bus or shuttle service to rail and ferry stations and to airports.
 - (4) Implementation and maintenance of local arterial traffic management, including, but not limited to, signal timing, transit signal preemption, bus stop relocation and "smart streets."
 - (5) Implementation of rail-bus integration and regional transit information systems.
 - (6) Implementation of low-emission and zero-emission vehicle programs and of demonstration projects in telecommuting and in congestion pricing of highways, bridges, and public transit. No funds expended pursuant to this paragraph for telecommuting projects shall be used for the purchase of personal computing equipment for an individual's home use.
 - (7) Implementation of a smoking vehicles program.
 - (8) Implementation of an automobile buy-back scrappage program operated by a governmental agency.
 - (9) Implementation of bicycle facility improvement projects that are included in an adopted countywide bicycle plan or congestion management program.
 - (10) The design and construction by local public agencies of physical improvements that support development projects that achieve motor vehicle emission reductions. The projects and the physical improvements shall be identified in an approved area-specific plan, redevelopment plan, general plan, or other similar plan.
- (c) Fee revenue generated under this chapter shall be allocated by the bay district for projects and programs specified in subdivision (b) to cities, counties, the Metropolitan Transportation Commission, transit districts, or any other public agency responsible for implementing one or more of the specified projects or programs. Fee revenues shall not be used for any planning activities that are not directly related to the implementation of a specific project or program.
- (d) Not less than 40 percent of fee revenues shall be allocated to the entity or entities designated pursuant to subdivision (e) for projects and programs in each county within the bay district based upon the county's proportionate share of fee-paid vehicle registration.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

(e) In each county, one or more entities may be designated as the overall program manager for the county by resolutions adopted by the county board of supervisors and the city councils of a majority of the cities representing a majority of the population in the incorporated area of the county. The resolution shall specify the terms and conditions for the expenditure of funds. The entities so designated shall be allocated the funds pursuant to subdivision (d) in accordance with the terms and conditions of the resolution.

(f) Any county, or entity designated pursuant to subdivision (e), that receives funds pursuant to this section, at least once a year, shall hold one or more public meetings for the purpose of adopting criteria for expenditure of the funds and to review the expenditure of revenues received pursuant to this section by any designated entity.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Attachment B

Health and Safety Code Section 44242

44242. (a) Any agency which receives funds pursuant to Section 44241 shall, at least once every two years, undertake an audit of each program or project funded. The audit shall be conducted by an independent auditor selected by the bay district in accordance with Division 2 (commencing with Section 1100) of the Public Contract Code. The district shall deduct any audit costs which will be incurred pursuant to this section prior to distributing fee revenues to cities, counties, or other agencies pursuant to Section 44241.
- (b) Upon completion of an audit conducted pursuant to subdivision (a), the bay district shall do both of the following:
- (1) Make the audit available to the public and to the affected agency upon request.
 - (2) Review the audit to determine if the fee revenues received by the agency were spent for the reduction of air pollution from motor vehicles pursuant to the plan prepared pursuant to Sections 40233 and 40717.
- (c) If, after reviewing the audit, the bay district determines that the revenues from the fees may have been expended in a manner which is contrary to this chapter or which will not result in the reduction of air pollution from motor vehicles pursuant to that plan, the district shall do all of the following:
- (1) Notify the agency of its determination.
 - (2) Within 45 days of the notification pursuant to paragraph (1), hold a public hearing at which the agency may present information relating to expenditure of the revenues from the fees.
 - (3) After the public hearing, if the district determines that the agency has expended the revenues from the fees in a manner which is contrary to this chapter or which will not result in the reduction of air pollution from motor vehicles pursuant to the plan prepared pursuant to Sections 40233 and 40717, the district shall withhold these revenues from the agency in an amount equal to the amount which was inappropriately expended. Any revenues withheld pursuant to this paragraph shall be redistributed to the other cities within the county, or to the county, to the extent the district determines that they have complied with the requirements of this chapter.
- (d) 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.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Audit Summary Report TFCA Regional Fund

For the Project Period Ended June 30, 2004

Attachment C

Listing of Audited Projects

Project #	Cat	Sponsor	Project Title	TFCA Funds Awarded
96R81	7d	BART	Bicycle Parking Demonstration	\$ 541,034
98R27	7d	Caltrans District 4	Bicycle Lockers - 41 units/82 bicycle capacity	43,502
02R15	3a	City of Alameda	Heavy Duty Vehicle Replacement: 12 Natural Gas Refuse Trucks	469,520
00R62	7d	City of Belmont	Bicycle Lockers - 50 spaces	60,000
00R56	7c	City of Berkeley	Bicycle Boulevards - Russell and Ninth St. (4.78 mi.)	93,628
00R57	1a	City of Berkeley	Natural Gas Vehicle Purchase - 1 Mini-Bus	35,000
97R11	8a	City of Cupertino	Arterial Management - DeAnza Blvd. (15 signals)	300,000
99R65	7a	City of Dublin	Class 1 Bicycle Path - Alamo Canal (0.8 mi.)	154,080
00R26	7e	City of Oakland	Bicycle Rack Program - 150 racks	16,429
01R23	3a	City of Oakland	Natural Gas Vehicle Purchase - 10 Refuse Trucks	373,141
01R41	9a	City of Orinda	Traffic Calming - Orinda Way Central Village North	370,000
99R55	3a	City of San Jose	Natural Gas Vehicle Demonstration - 14 HDV Refuse Collection Trucks	859,986
01R12	6a	City of San Leandro	West San Leandro Shuttle	147,000
99R16	3a	City of Santa Rosa	Natural Gas Vehicle Demonstration - 5 HDV	74,686
00R49	7a	City of Suisun City	Class 1 Bicycle Path - Highway 12 (2.86 mi.)	160,000
00R17	3a	City of Sunnyvale	Natural Gas Vehicle Purchase - 20 Refuse Trucks	1,000,000
01R13	1a	City of Union City	Natural Gas Vehicle Purchase - 2 Transit buses	300,000
02R53	3a	City of Union City	Heavy Duty Vehicle Replacement: 1 CNG Street Sweeper	30,500
01R10	7e	City of Walnut Creek	Bicycle Racks - 112 bicycle capacity	4,352
02R25	7b	County of Alameda	Class 3 Bicycle Route: Dublin Canyon Road	64,013
98R75	7a	County of Alameda	Class 1 Bicycle Path - Iron Horse Trail (1.1 mi.)	419,436
00R65	7e	County of San Francisco	Bicycle Racks - 700 bicycle capacity	97,600
99R72	3a	County of San Francisco	Natural Gas Vehicle Demonstration - 4 HDV Class 8 Trucks	280,000
02R45	7b	County of San Francisco (DPT)	Class 2 Bicycle Lanes: Cabrillo Avenue	63,568
99R41	7b	County of Sonoma	Class 2 Bicycle Lanes - West Third St. (0.23 mi.)	80,000
01R24	5c	Livermore/Amador Valley Transit Authority	Ridesharing - Tri-Valley School Pass Program	45,000
01R06	5b	Metropolitan Transportation Commission	Regional Rideshare Program	1,000,000
02R40	5b	Metropolitan Transportation Commission	Regional Rideshare Program	896,011
02R54	6a	Peninsula Corridor Joint Powers Board	Caltrain Shuttle Program	915,444
00R68	1a	Presidio Trust	Natural Gas Vehicle Purchase - 5 Shuttle Buses	175,000
00R66	1a	San Francisco International Airport	Purchase Sixteen Shuttle Buses (10 NG, 6 Propane)	426,589
00R67	1a	San Francisco International Airport	Natural Gas Vehicle Purchase - 4 Buses (40 ft.)	140,000
99R29	1a	San Francisco International Airport	Natural Gas Vehicle Demonstration - 23 Hotel/Parking Shuttle Buses	680,263
97R99	1a	San Francisco MUNI	Transit Bus Replacements - 2 CNG	500,000
99R15	1c	San Francisco MUNI	Transit Bus Purchase - 2 Diesel Electric Hybrid	486,234
01R11	5g	San Jose State University - Assoc. Students	Campus Ridesharing Program	149,271
01R39	6a	Santa Clara Valley Transportation Authority	Shuttle Bus Service - ACE Commuter Rail	504,197
02R08	6a	Santa Clara Valley Transportation Authority	Shuttle Program: Altamont Commuter Express	648,957
96R54	7a	Solano Transportation Authority	Bicycle Path-Solano Bikeway	392,000
00R33	1a	Sonoma County Transit	Natural Gas Vehicle Purchase - 4 Transit Buses (30 ft.)	590,000
99R42	1a	Sonoma County Transit	Transit Bus Purchase - 4 CNG	775,000
99R43	3a	Sonoma County Transit	Natural Gas Vehicle Demonstration - 4 CNG Refuse Trucks	220,000
02R21	7e	Town of Los Gatos	Installation of Bicycle Racks	25,510
96R114	7a	University of California, Berkeley	Cross Campus Bicycle Path	111,412

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 5, 2006

Re: Reallocation of Diesel Back-Up Generator Mitigation Funds to Fund Hybrid
Electric Trucks

RECOMMENDED ACTION:

- 1) Recommend Board approval of the allocation of \$100,000 in Diesel Back-Up Generator (BUG) Mitigation funds for four diesel hybrid-electric trucks.
- 2) Recommend Board authorization for the Executive Officer/APCO to enter into a contract with FedEx Express for the hybrid-electric truck project.

BACKGROUND

Non-renewable fuels, such as gasoline, diesel and natural gas, power most motor vehicles in California. Advances in cleaner fuel formulations, engine design and emission control systems have led to a significant reduction in harmful emissions from motor vehicles. In recent years, the use of hybrid-electric engines for light-duty, medium-duty and heavy-duty vehicles have received increased attention. Hybrid-electric engines achieve better fuel economy and lower emissions than gasoline, diesel or natural gas engines.

Five years ago FedEx Express (FedEx) and Environmental Defense entered into a partnership agreement with the goal of prompting the development of an environmentally and economically superior pick-up and delivery truck that would meet or exceed the operational capabilities of FedEx's current W700 truck model. Specifically, FedEx requested proposals for a truck that would achieve aggressive targets of 50% better fuel economy and 90% lower nitrogen oxides (NOx) and particulate matter (PM) emissions, and be economically competitive with the W700 truck model. These goals were defined in reference to FedEx's 1999 W700 truck. An E700 vehicle was developed, which achieved FedEx's fuel economy and emission goals, except for the NOx target, which was revised and met at 65%. Both the W700 and E700 trucks have a gross vehicle weight rating (GVWR) of 16,000 lbs., with a cargo capacity of approximately 6,000 lbs. and 700 cubic feet.

Ultimately, two companies submitted prototypes for testing performed at Southwest Research Institute. Based on that testing, FedEx decided to proceed with the hybrid diesel-electric truck designed by Eaton and purchased 18 units for testing in regular revenue service. These trucks have been in service for over a year and have performed well, with approximately 99% availability for service, comparable to the rest of the FedEx fleet. The E700 truck uses lithium-ion batteries, and regenerative braking to achieve improvements in emissions and fuel economy. The next step in this

project is to expand the presence of these hybrids within the FedEx fleet, which will be accomplished with the addition of 75 hybrid vehicles in May 2006.

DISCUSSION

In May 2006, FedEx Express will place in service 75 E700 diesel hybrid-electric trucks, in addition to the 18 that are already operating in Sacramento, CA; Tampa, FL; New York, NY; and Washington D.C. The purchase price of the hybrid trucks is significantly higher than that of a traditional FedEx delivery truck. Therefore, FedEx is searching for supplemental funding to offset the incremental cost of these vehicles. Securing such finding plays a pivotal role in determining the geographic placement of the hybrid trucks.

The FedEx diesel hybrid-electric trucks will provide the dual benefits of reduced emissions and energy consumption. Not only will this provide immediate benefits in air quality and energy conservation, but it will also demonstrate the viability of these vehicles, and encourage other fleet operators to incorporate vehicles based on this design into their fleets. FedEx states they are committed to the overall goal of acting as a catalyst for change in the truck market, that has until now been almost exclusively the domain of standard diesel trucks.

In 2002 the California Air Resources Board's (CARB) provided the Air District with \$2,484,533 in Diesel Buck-Up Generator Mitigation funds to pursue voluntary emission reduction programs to offset impacts from increased use of diesel back-up generators during the rolling blackouts that occurred due to electricity shortages in 2000 and 2001. A portion of those funds is available due to previously approved projects completed under budget.

In order to make the aforementioned benefits of hybrid-electric vehicles available to the Bay Area and to gain additional insights into the development of hybrid-electric trucks, staff is recommending that the Air District allocate \$100,000 of currently available BUG Mitigation funds to fund four FedEx E700 diesel hybrid-electric trucks. Staff also proposes to allocate any remaining BUG Mitigation funds to one of the of the BUG Mitigation projects approved by the Board of Directors (e.g., Diesel Particulate Traps for Heavy-Duty Fleets, Lower Emission School Buses).

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer /APCO

Prepared by: Juan Ortellado
Reviewed by: Henry Hilken

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 5, 2006

Re: Presentation Comparing the Cost of Diesel Versus Natural Gas Fuel

RECOMMENDED ACTION:

Receive and file.

BACKGROUND

The Air District administers grant and incentive programs that fund projects that result in the reduction of emissions in the Bay Area. Through the years, these programs have helped implement numerous heavy-duty vehicle projects, including, but not limited to, replacement of older polluting vehicles with new clean air vehicles, engine repowers, engine retrofits, alternative fuel projects, and advanced technology demonstrations. The grant and incentive programs are focused on the reduction of mobile source emissions regardless of the technology, and are essentially fuel-neutral.

At the September 13, 2005 Mobile Source Committee meeting, Sam Altshuler, P.E., Senior Program Manager of the Clean Air Transportation Group at Pacific Gas & Electric offered to provide a presentation comparing the costs of diesel versus natural gas fuel, and the Committee asked that this item be agendized.

DISCUSSION

Air District staff will provide a summary of recent trends in diesel and natural gas costs, and Mr. Altshuler will provide information on projected diesel and natural gas fuel costs from the present through 2010.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Alison Kirk
Reviewed by: Henry Hilken