BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
MOBILE SOURCE COMMITTEE

COMMITTEE MEMBERS

TIM SMITH - CHAIRPERSON
ROBERTA COOPER
JERRY HILL
DENA MOSSAR
GAYLE UILKEMA

SHELIA YOUNG – VICE CHAIRPERSON
SCOTT HAGGERTY
JULIA MILLER
MARLAND TOWNSEND

THURSDAY
JANUARY 9, 2003 **FOURTH FLOOR CONFERENCE ROOM**
9:30 A.M.

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 five (5) minutes each.*

3. **APPROVAL OF MINUTES OF DECEMBER 12, 2002**

4. **TRANSPORTATION FUND FOR CLEAN AIR PROPOSED POLICY REVISIONS** **T. Perardi/4667**
tperardi@baaqmd.gov

   Consider approval of proposed FY 2003/2004 policy revisions to the Transportation Fund for Clean Air Program.

5. **AUDIT OF TRANSPORTATION FUND FOR CLEAN AIR** **T. Perardi/4667**
tperardi@baaqmd.gov

   Receive a report on the audit of projects funded by the TFCA Program Manager fund.

6. **CONTRACTOR SELECTION FOR VEHICLE BUY BACK PROGRAM DIRECT MAIL**
T. Perardi/4667
tperardi@baaqmd.gov

   Consider approval of a contractor to run the Direct Mail campaign in support of the Vehicle Buy Back Program.

7. **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)

8. **TIME AND PLACE OF NEXT MEETING: 9:30 a.m., February 13, 2003, 939 ELLIS STREET, SAN FRANCISCO, CA.**

9. **ADJOURNMENT**

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., Thursday, December 12, 2002

1. **Call to Order – Roll Call:** 9:35 a.m.

   Roll Call: Shelia Young, Acting Chair, Roberta Cooper, Scott Haggerty, Jerry Hill, Marland Townsend.

   Absent: Julia Miller, Dena Mossar, Tim Smith, Gayle Uilkema.

   Also Present: Pam Torliatt (9:43 a.m.).

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

3. **Approval of Minutes of September 12, 2002:** Mr. Townsend moved approval of the minutes; seconded by Mr. Hill; carried unanimously by acclamation.

4. **Alternative Fuel Infrastructure Project:** *The Committee considered recommending that the Board of Directors approve a project for a Liquefied Natural Gas Refueling station in Oakland with Waste Management of Alameda County. Funding up to $250,000 will be available from the California Energy Commission's Carl Moyer Alternative Fuel Infrastructure Program.*

   Michael Murphy, Principal Environmental Planner, presented the report and stated that the staff recommends approval of $250,000 for a publicly accessible liquefied natural gas (LNG) fueling facility that would be located on 98th Avenue in Oakland. Mr. Murphy stated that the Air District has been working with Waste Management of Alameda County on this project and that the project meets the required fuel throughput. The station will support the 16 LNG trucks that Waste Management of Alameda County has committed to operating in the Oakland area; and AC Transit is considering purchasing LNG transit buses and proposes using the station as a near-term fueling option. Staff recommends Board approval of the award of $250,000 in California Energy Commission Fueling Infrastructure funds to Waste Management of Alameda County for a publicly accessible liquefied natural gas fueling facility; and that the Board authorize the Executive Officer/APCO to execute a grant funding agreement with Waste Management of Alameda County.

Committee Action: Director Townsend moved approval of the staff recommendations with respect to the $250,000 CEC Fueling Infrastructure funds to Waste Management of Alameda County; seconded by Director Haggerty; carried unanimously by acclamation.

5. **Report on Shuttle Projects:** *The Committee received a report on the status of shuttles in the Bay Area and an ongoing Bay Area Clean Air Partnership (BayCAP) project to coordinate shuttle programs, including highlights of successful shuttle programs.*

Shuttle Support: Andrea Gordon, Environmental Planner, provided a report on the District's support of and promoting the use of shuttles. Ms. Gordon stated that since its inception in 1992, the Transportation Fund for Clean Air (TFCA) has provided more than $28 million to fund a multitude of shuttle projects in the Bay Area. There have been 109 shuttle grants through the Program Manager Funds and 49 through the Regional Funds.

The Bay Area Clean Air Partnership (BayCAP) Shuttles Project: Bruce Riordan, Consultant, presented information on BayCAP, which was formed in 1998 as a public/private partnership to work on projects that voluntarily reduce vehicle emissions and improve air quality. Mr. Riordan stated that BayCAP is conducting an inventory on the existing Bay Area shuttle programs and is using that information to develop an expanded regional shuttle system. Mr. Riordan then reviewed and provided information on the following: 1) inventory information; 2) best practices; 3) key barriers and issues; and 4) BayCAP actions. Responding to Director Haggerty, Mr. Riordan stated that bio-diesel is being looked at.

San Leandro Shuttle Presentation: Gordon Galvin from the City of San Leandro provided information on the San Leandro Links shuttle, which included its background, the program launch, staffing, ridership and the future of the program. Mr. Galvin discussed funding of the shuttles and the need to transition from public to private support for the program.

Director Haggerty requested staff to provide information on what the projected ridership was for the San Leandro Shuttle TFCA grant that was not funded in 2000/2001. Mr. Gordon stated that one reason it may not have been funded was due to the closure of two large companies whose employees would have used the Links shuttle.

Committee Action: None. This item presented for information only.

6. **Vehicle Buy Back Program:** *The Committee received a report on the eligibility of abandoned vehicles for the District's Vehicle Buy Back Program.*

Joe Steinberger, Sr. Environmental Planner, presented the report and stated that the majority of abandoned vehicles that were 1981 or older would not be eligible for the Vehicle Buy Back (VBB) program. Most of these vehicles are either junked or sold for parts and do not meet the functional or registration requirements of the VBB program. Mr. Steinberger reported on donated vehicles and stated that most of the 1981 and older vehicles donated are inoperable and are ineligible for the VBB program. In addition, these vehicles are a net financial loss to the charities, therefore, the charities typically do not take any vehicle older than 1986.

Director Haggerty commented that when cities and counties contract for towing services their contracts could include a community benefit, such as towing some of the abandoned vehicles in the vendors jurisdiction.

Committee Action: None. This report provided for information only.

Acting Chair Young requested Item 8 be moved to before Item 7 and the Committee agreed.

8. **Report on Livermore Amador Valley Transit Authority (LAVTA) Proposal for no Fare Transit on Spare the Air Days:** *Staff reported on a proposal to have no fare transit on the Livermore Amador Valley bus system to reduce vehicle emissions on Spare the Air days.*

William Norton, Executive Officer/APCO, stated that this project was reviewed under the TFCA funding, but did not qualify. Staff was requested to research the feasibility of having a pilot project.

Teresa Lee, Director of Public Information, stated that the District is recommending a pilot program be established with LAVTA, who run the WHEELS bus systems in Livermore, Dublin and Pleasanton. LAVTA would run the pilot program for eight Spare the Air days next summer with the object of increasing their ridership by 10% (750 persons per day). After the first of the year, LAVTA will provide the District with a timeline, marketing plan and monitoring plan. Staff is researching the use of Congestion Mitigation Air Quality (CMAQ) funding for this proposal.

Other ways of funding the pilot project were discussed and included, in the future, the possibility of TFCA monies being utilized for demonstration projects such as this one (this would require amending the TFCA policies) and a possible increase in bridge tolls. Staff indicated that CMAQ money has been used for these types of projects in other parts of the country. There was discussion on pilot projects be done in some of the other nine counties within the Air District were there are major transportation hubs or major business park areas. Ms. Lee indicated that there are fewer Spare the Air days now than in the past, so it makes a project of this type more feasible, and indicated the monitoring of the program would be very important. Director Young stated the issue should be taken to the Board for further discussion.

Committee Action: None. Report provided for information only.

7. **Promoting Biodiesel:** *The Committee considered recommending that the Board of Directors approve staff recommendation to use up to $75,000 of Diesel Back-Up Generator Mitigation Funds received from the California Air Resources Board to study the use of biodiesel and to develop a pilot project regarding biodiesel.*

Mr. Steinberger presented the report and stated that staff has been investigating a variety of potential biodiesel pilot projects as well as the benefits of increasing awareness of biodiesel. Mr. Steinberger reviewed the four categories of planning, pilot project, supply side projects, and demand side projects. Staff recommends that the Board of Directors approve an expenditure of up to $75,000 to:

1. Enter into a contract with a consultant to prepare a feasibility study for the use of biodiesel in the Bay Area, and
2. Develop a pilot project that would demonstrate conversion of dairy, agricultural, or other waste products to biodiesel.

Committee Action: Director Townsend moved the staff recommendation on promoting biodiesel; seconded by Director Haggerty.

During discussion it was confirmed that this process will be done through an RFP. In response to Director Townsend, Mr. Hess stated that a biodiesel presentation had been given to the Advisory Council and Director Townsend requested a copy of the presentation. Mr. Steinberger indicated it is beneficial to use biodiesel in school bus fleets that have older buses. The motion then carried unanimously by acclamation.

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

10. Time and Place of Next Meeting: 9:30 a.m., Thursday, January 9, 2003, 939 Ellis Street, San Francisco, California 94109.

11. Adjournment: The meeting adjourned at 10:45 a.m.

Respectfully submitted:

Mary Romaidis
Clerk of the Boards

MOBILE SOURCE COMMITTEE

Follow-up Items for Staff

December 12, 2002

1. Staff to provide Director Haggerty with information on the projected ridership for the City of San Leandro's Links shuttle project on the 2000/2001 TFCA grant that was not funded.
2. Director Townsend requested staff provide the Committee copies of the presentation/information on biodiesel given to the Advisory Council.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Thomas Perardi
Director of Planning and Research

Date: January 9, 2003

Re: Transportation Fund for Clean Air (TFCA) FY 2003/04 Proposed Policy Revisions

RECOMMENDED ACTION:

Recommend Board approval of the proposed FY 2003/04 TFCA Policies and Evaluation Criteria.

BACKGROUND

The Air District's Board of Directors has adopted policies and evaluation criteria that govern the distribution of TFCA funds to cost-effective projects. Prior to each annual funding cycle, the Air District considers whether to revise the policies and evaluation criteria. On November 21, 2002, Air District staff issued a request for comments on proposed changes to the TFCA policies and evaluation criteria for the FY2003/04 funding cycle. The deadline for interested parties to submit comments was December 13, 2002. Fifteen comment letters and e-mails were submitted. In addition, proposed Policy 27 Reducing Emissions from Existing Heavy-Duty Diesel Engines was presented to and endorsed by the Air District Advisory Council's Technical and Planning Committees. A table summarizing each comment received, and the staff response, is provided in Attachment B. Where appropriate, staff revised the draft policies and evaluation criteria to address the comments received.

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 2003/04 cycle.

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

Most proposed changes to TFCA policies are relatively minor administrative improvements. A brief discussion of the more substantive proposed policy changes is provided below.

Policy # 23: Incentive Levels for Light-Duty Clean Air Vehicles:

This policy specifies the incentive amounts for light duty, alternative fuel, clean air vehicles. Staff is proposing to increase the incentive amount for hybrid vehicles that achieve the SULEV emission standard from $1,000 to $2000 per vehicle. The incentive for ULEV-rated hybrids would remain at $1,000 per vehicle. Staff believes this change is appropriate since SULEV hybrids offer greater emission reductions than ULEV hybrids.

Policy #26: Heavy-Duty Vehicle Replacement

This policy requires that applicants for heavy-duty vehicle projects must remove and scrap an existing equivalent vehicle in their fleet. Comments indicate that this requirement has proved to be burdensome to some applicants. Staff is proposing to add a new option in this policy to provide additional flexibility to applicants, while preserving the intent of the Board to reduce emissions from the existing vehicle fleet.

New Policy 27: Reducing Emissions from Existing Heavy-Duty Diesel Engines

This new policy proposes to make diesel repowers and retrofits to existing on-road heavy-duty vehicles eligible for TFCA funding. Emissions of particulate matter and toxics from diesel engines are a major public health issue. The California Air Resources Board (CARB) has adopted more stringent emission standards for new diesel engines. However, these standards do not apply to existing diesel engines. Since diesel engines are very durable, existing diesel-powered vehicles may continue to emit toxic particulates for many years. However, recent developments in diesel control technologies have the potential to reduce emissions and health impacts from existing diesel engines. Staff believes that these new technologies offer an opportunity to achieve significant reductions in PM and NO_x in a cost-effective manner. The proposed new policy responds to interest expressed by a number of our applicants, including MTC and San Francisco MUNI. Staff will review the experience with this policy during our annual evaluation prior to the FY 2004/05 funding cycle.

Policy # 29: Shuttle / Feeder Bus Service

This shuttle policy includes a requirement that shuttle operators must comply with CARB particulate matter standards (PM) for public transit fleets. Shuttle operators have requested that the policy be modified to provide greater clarity as to how to comply with this policy requirement. The proposed policy language offers several options as to how shuttle operators can comply with this requirement in order to compete for TFCA funds.

<u>RECOMMENDATION</u>

Staff recommends that the Mobile Source Committee recommend Board of Directors approval of the attached TFCA FY 2003/04 policies and Regional Fund evaluation criteria.

Respectfully submitted,

Thomas Perardi
Director of Planning and Research

Prepared by: Liz Berdugo, David Burch
Reviewed by: J. Roggenkamp

FORWARDED: ______________________________

Attachments

ATTACHMENT A

PROPOSED TFCA POLICIES AND EVALUATION CRITERIA FOR FY 2003/04

~~Some policies apply to both the County Program Manager funds **and** the Regional Funds, and some policies apply only to the Regional Funds. Policies that only apply to the Regional Funds are noted with the following: **(Regional Funds only).**~~
Policies may apply to one or more of the following funds/programs: Program Manager Funds, Regional Funds, Vehicle Incentive Program (VIP). The funds/programs that each policy applies to are indicated in parentheses following the policy. Guidance documents for each fund/program will contain only the policies pertaining to that fund/program in order to provide clarity to applicants.

BASIC ELIGIBILITY

1. **TFCA Cost-Effectiveness:** The Air District Board will not approve any grant application for TFCA Regional Funds that has a TFCA funding effectiveness level equal to or greater than \$50,000 of TFCA funds per ton of total ROG, NO_x, and PM_{10} reduced (\$/ton).

   This policy does not apply to clean air vehicle projects for passenger cars, pick-up trucks, and vans with a gross vehicle weight of 10,000 pounds or less. These projects are limited to the funding amounts specified in Policy ~~15, Funding Participation Rates for Vehicle Purchases.~~ 23, Light-Duty Clean Air Vehicle Funding Participation.

   Annual expenditure plans for County Program Manager funds must achieve an aggregate TFCA cost-effectiveness of less than \$50,000 per 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 the calculation of aggregate TFCA cost-effectiveness: TFCA Program Manager administrative costs, alternative fuel infrastructure projects, light-duty clean air vehicles with a GVW of 10,000 pounds or less, and TFCA Program Manager funds allocated for the regional ridesharing program. **(Regional Funds; Program Manager Funds)**

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, 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 electric vehicles, 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 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)**

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, 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 $100,000 in TFCA Regional Funds, project sponsors must provide matching funds from non-TFCA sources, which equal or exceed 20% 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 $100,000 or less may request 100% TFCA funding. **(Regional Funds ~~only~~)**

   This is not a new policy. It was previously policy #22. All Basic Eligibility policies have been grouped together for clarity.

8. **Authorizing Resolution:** Regional Fund grant applications must include a resolution from the governing board (e.g., City Council, Board of Supervisors, Board of

Directors, etc.) 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 days of the application submittal deadline. **(Regional Funds ~~only~~)**

This is not a new policy. It was previously policy #23. All Basic Eligibility policies have been grouped together for clarity.

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 ~~Part 2 of this~~ document. **(Regional Funds ~~only~~)**

   This is not a new policy. It was previously policy #24. All Basic Eligibility policies have been grouped together for clarity.

10. **Minimum Amount:** Only projects requesting $10,000 or more in TFCA Regional Funds will be considered for funding. For clean air vehicle projects only, smaller funding applications will be accepted and considered. **(Regional Funds ~~only~~)**

    This is not a new policy. It was previously policy #25. All Basic Eligibility policies have been grouped together for clarity.

11. **Maximum Amount:** No single project or competitive funding application may receive more than $1,000,000 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 ~~only~~)**

    This is not a new policy. It was previously policy #26. All Basic Eligibility policies have been grouped together for clarity.

12. **Readiness:** Projects will be considered for funding only if the project will commence in calendar year 200~~3~~4 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 ~~only~~)**

    This is not a new policy. It was previously policy #27. All Basic Eligibility policies have been grouped together for clarity.

13. **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 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 funding cycle. **(Regional Funds ~~only~~)**

    This is not a new policy. It was previously policy #28. All Basic Eligibility policies have been grouped together for clarity.

14. **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 ~~only~~)**

This is not a new policy. It was previously policy #29. All Basic Eligibility policies have been grouped together for clarity.

INELIGIBLE PROJECTS

15. **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. **(Regional Funds; Program Manager Funds; VIP)**

    This was previously policy #7 and has been moved and re-numbered for clarity.

16. **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; VIP)**

    This was previously policy #8 and has been moved and re-numbered for clarity.

USE OF TFCA FUNDS

17. **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), 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)**

    This was previously policy #9 and has been moved and re-numbered for clarity.

18. **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)**

    This was previously policy #10 and has been moved and re-numbered for clarity.

19. **Administrative Costs:** Administrative costs are limited to a maximum of five (5) percent of total TFCA funds expended on a project. ~~Air District policy defining allowable administrative costs was published in the *1998 Application Guidance for Regional Funds* dated April 1998~~. Please see the Appendix of this document for Air District policy defining allowable administrative costs. **(Regional Funds; Program Manager Funds)**

This was previously policy #11 and has been moved and re-numbered for clarity. The District policy referred to in the 1998 Application Guidance for Regional Funds is reproduced in the Appendix of each year's current Application Guidance. The reference was removed and the applicant is directed to the Appendix.

20. **Expend Funds within Two Years:** Any public agency or entity receiving Regional Funds must expend the funds within two years of the effective date of the Funding Agreement, unless a longer period is approved in advance by the Air District. In the case of the Program Manager funds, the funds must be expended within two 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 approved in advance by the Program Manager. **(Regional Funds; Program Manager Funds)**

    This was previously policy #12 and has been moved and re-numbered for clarity.

CLEAN AIR VEHICLE (CAV) PROJECTS

21. **Clean Air Vehicle Infrastructure:** The TFCA Regional Fund will fund the clean air vehicle infrastructure 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, 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 both electric recharging and natural gas 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 was previously policy #16 and has been moved and re-numbered for clarity.

22. ~~**Clean Air Vehicles**~~**Light-Duty CAV Eligibility:** All chassis-certified vehicles (light- and most medium-duty vehicles) certified by the California Air Resources Board (CARB) as meeting established ultra low emission vehicle (ULEV), super low emission vehicle (SULEV), or zero emission vehicle (ZEV) standards are eligible for TFCA funding. Hybrid electric vehicles (HEVs) that meet the ULEV, SULEV, or ZEV standards are eligible for TFCA funding. **(Program Manager Funds; VIP)**

    This was previously part of policy #13. Although this is not new text, the original policy has been divided into two separate policies, one for light-duty CAV eligibility and one for heavy-duty CAV eligibility. This will make it easier for applicants to find the policy language applicable to them.

23. ~~**Funding Participation Rates for Vehicle Purchases:**~~**Light-Duty CAV Funding Participation:** For clean air vehicle projects for passenger cars, pick-up trucks, and vans with a gross vehicle weight of 10,000 pounds or less, project sponsors may receive no more than the following funding incentive amounts:

Eligible Vehicle	TFCA Funding Amount Per Vehicle**
Ultra Low Emission Vehicle (ULEV)	$2,000
Super Low Emission Vehicle (SULEV)	$4,500
Highway Zero Emission Vehicle	$6,000
City Zero Emission Vehicle	$3,000
Neighborhood Zero Emission Vehicle	$1,500
Three-wheel Zero Emission Vehicle	$1,500
Hybrid electric vehicles (ULEV~~ or SULEV~~)	$1,000
Hybrid electric vehicles (SULEV)	$2,000

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

(Program Manager Funds; VIP)

This was previously part of policy #15. Although this is not new text, the original policy has been divided into two separate policies, one for light-duty CAV funding participation and one for heavy-duty CAV funding participation. This will make it easier for applicants to find the policy language applicable to them. Staff recommends increasing the incentive for hybrid vehicles that achieve the SULEV emission standard from $1,000 to $2,000 per vehicle. Since SULEV hybrid vehicles achieve greater emissions reductions than ULEV hybrids, they should receive a greater incentive. Note that the incentive amounts for hybrid vehicles remain lower than other SULEV and ULEV incentive levels due to the lower incremental cost of hybrids compared to natural gas or propane vehicles. Please note that District staff will review the incentive amounts for all light duty vehicles in spring 2003, prior to reauthorizing the Vehicle Incentive Program (VIP) for the FY 2003/04 cycle. At that time, staff may recommend adjustments in the incentive levels with the objective of increasing the overall cost-effectiveness of the VIP.

24. **~~Clean Air Vehicles~~ New Heavy-Duty CAV Eligibility:** To be eligible for TFCA funding, the engines of all ~~engine-certified~~ new heavy-duty vehicles (including some medium-duty ~~and all heavy-duty~~ vehicles) must be certified to at least CARB's optional ~~low-NOx standards,~~ reduced-emission NO_x plus non-methane hydrocarbon (NMHC) standard for 2004 ~~and subsequent model year engines.~~ ~~or deemed by CARB as eligible under the Carl Moyer Program. All engine certified hybrid electric vehicles (HEVs) must demonstrate NOx emissions of no more than 2.0 grams per brake horsepower hour to be eligible for TFCA funding, regardless of the fuel used in the hybrid electric configuration.~~

~~With the exception of hybrid electric vehicles noted above, no vehicles with the ability to run on gasoline or diesel fuel as their primary fuel will be funded.~~ 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. **(Regional Funds; Program Manager Funds)**

This was previously part of policy #13. The original policy has been divided into two separate policies, one for light-duty CAV eligibility and one for heavy-duty CAV eligibility. This will make it easier for applicants to find the policy language *applicable to them. In addition, new text is added to bring the policy in line with current CARB standards. The last sentence of this policy was changed to reflect the addition of policy #27. This policy also specifies that it applies to new heavy-duty vehicles because policy #27 addresses existing heavy-duty vehicles.*

25. ~~Funding Participation Rates for Vehicle Purchases~~ Heavy-Duty CAV Funding Participation: For clean air vehicle projects with a gross vehicle weight of more than 10,000 pounds, project sponsors may receive no more than the incremental cost of the cleaner vehicle. Incremental cost is the difference in the purchase prices of the clean air vehicle and its 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 alternatively fueled transit bus (30 ft. or bigger). **(Regional Funds; Program Manager Funds)**

This was previously part of policy #15. Although this is not new text, the original policy has been divided into two separate policies, one for light-duty CAV funding participation and one for heavy-duty CAV funding participation. This will make it easier for applicants to find the policy language applicable to them.

26. Heavy-Duty Vehicle Replacement: ~~Beginning with the FY 2002/03 TFCA funding cycle, v~~Vehicles greater than 10,000 lbs. GVW purchased with TFCA funds must either:

a) replace an existing similar or equivalent vehicle within the applicable vehicle fleet or within the fleet of the project sponsor. 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 particulate filter to an existing similar or equivalent vehicle within the applicable vehicle fleet or within the fleet of the project sponsor. The filter 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. **(Regional Funds; Program Manager Funds)**

This was previously policy #14 and has been moved and re-numbered for clarity. It has been labeled as heavy-duty since it applies only to heavy-duty vehicles. Policies related to light-duty and heavy-duty vehicles have been separated to aid applicants in finding applicable policy language. Text regarding the fiscal year has been removed to make the policy current. Staff proposes to add Option B to provide greater flexibility in those cases where it is not feasible for the fleet operator to scrap an existing vehicle. Staff believes that the proposed option to install a particulate filter is consistent with the intent of this policy to ensure that emissions are reduced from the existing vehicle fleet.

27. Reducing Emissions from Existing Heavy-Duty Diesel Engines:

a) Repowers – To be eligible for TFCA funding, the new engines selected to repower an existing heavy-duty vehicle (including some medium-duty vehicles) must be certified to at least CARB's optional reduced-emission NO_x plus non-methane hydrocarbon (NMHC) standard for 2004.

b) Retrofits – Retrofit devices and technologies, and clean fuel additives or substitutes, compatible with existing heavy-duty diesel engines are eligible for TFCA funding, subject to the conditions described below:

1) All devices or technologies 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 particulate filter devices.
3) Ultra-low-sulfur diesel is not eligible for funding.
4) TFCA will fund, at most, the incremental cost (over what is standard or required by regulation) of the technology, fuel additive, or substitute.
5) Particulate matter (PM) retrofit filters must meet the CARB 2004 standard of no more than 20% NO_2 slip.

(Regional Funds; Program Manager Funds)

This is a new policy. The first paragraph of this policy repeats language from policy #24 to indicate that this text also applies to existing heavy-duty vehicles that may be retrofitted with new engines. The rest of the text is recommended by staff for several reasons. It is an item of great interest to our applicants, who have advocated for TFCA funding of PM filters and cleaner diesel fuels in the past. TFCA has not previously considered diesel funding under the clean air vehicles policies because it was commonly held that diesel vehicles were not clean. But, it is in keeping with current trends and technology advances that diesel engines are much cleaner, and that these retrofits and fuel additives and substitutes can make them cleaner yet. Because it was not possible to foresee all project combinations, and therefore to evaluate them and determine if they will be cost-effective, this policy was crafted to "open the door" for applications and evaluation of these technologies without stringent boundaries. Staff will review experience with this policy during our annual evaluation prior to the FY 2004/05 funding cycle.

28. **Bus Replacements:** For purposes of transit and school bus replacement projects, a bus is any vehicle designed, used, or maintained for carrying more than 15 persons including the driver. A vehicle designed, used, or maintained for carrying more than 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 a bus. **(Regional Funds; Program Manager Funds)**

This was previously policy #17 and has been moved and re-numbered for clarity.

SHUTTLE/FEEDER BUS SERVICE PROJECTS

29. **Shuttle/Feeder Bus Service:** Any application for a project to operate a shuttle or feeder bus route to and from a rail station, airport, or ferry terminal 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.

~~Beginning with the FY2003/2004 TFCA funding cycle,~~ All vehicles used in any shuttle/feeder bus service must meet the applicable California Air Resources Board (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 CARB-certified particulate filter (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)

The requirement for shuttle/feeder bus service vehicles to meet the CARB PM standard for public transit fleets was adopted by the Air District Board of Directors in April 2001. The rationale for this policy was the expectation that shuttles funded by the TFCA program should be clean, and that the CARB standards would ensure this. TFCA staff have been working with shuttle providers to determine how best to meet this policy. Based on research, discussions with providers, and evaluation, staff proposes the underlined text.

BICYCLE PROJECTS

30. 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: a) Class 1 bicycle paths; b) Class 2 bicycle lanes (or widening of outside lanes to accommodate bicycles); c) 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)**

This was previously policy #19 and has been moved and re-numbered for clarity.

31. **Arterial Management:** 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. The project 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. **(Regional Funds; Program Manager Funds)**

    This was previously policy #20 and has been moved and re-numbered for clarity.

32. **Smart Growth:** Physical improvements that support development projects that achieve 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 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. **(Regional Funds; Program Manager Funds)**

    This was previously policy #21 and has been moved and re-numbered for clarity. Traffic-calming plans are added to the list of plans where a development project may be identified because projects in this category are often found in traffic-calming plans. In addition, traffic-calming plans are becoming more prevalent, and projects identified in them are likely to implement TCM 20 (traffic calming).

APPLICANT IN GOOD STANDING ~~(REGIONAL FUNDS ONLY)~~

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

    This was previously policy #30 and has been moved and re-numbered. Removing this fixed deadline for monitoring and reporting requirements allows TFCA the flexibility to specify a date to our project sponsors each year.

34. **Failed Audit:** Project sponsors who have failed either the fiscal audit or the performance audit for a prior TFCA project will, at the discretion of the Air Pollution Control Officer (APCO), not be considered for future funding. Any future funds, which are awarded to the agency, will not be released until all audit recommendations and remedies have been implemented. **(Regional Funds ~~only~~)**

    This was previously policy #31 and has been moved and re-numbered.

35. **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 three (3) months 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 ~~only~~)**

This was previously policy #32 and has been moved and re-numbered.

36. **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 ~~emissions reductions are being achieved~~ the project is being implemented consistent with the implementation schedule specified in the project funding agreement. ~~The APCO will have the discretion to accept subsequent applications for unrelated projects if the delay in implementation of the current project is beyond the control of the project sponsor, or within the project's approved implementation schedule.~~ **(Regional Funds ~~only~~)**

    This was previously policy #33 and has been moved and re-numbered. The text "emissions reductions are being achieved" was changed to "the project is being implemented consistent with the implementation schedule specified in the project funding agreement" because strict interpretation of the existing policy language would render many project sponsors to be out of compliance. The intent of the language is to ensure that projects are proceeding according to the prescribed schedule, not necessarily achieving emissions reductions. TFCA staff has the ability to ensure this by monitoring the schedule and approving or disapproving extensions to the schedule. The final sentence regarding the APCO is removed because it is a given and is not necessary to state here.

FISCAL ~~**(REGIONAL FUNDS ONLY)**~~

37. **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 ~~only~~)**

    This was previously policy #34 and has been re-numbered.

■ REGIONAL FUND EVALUATION CRITERIA ■

FY 03/04 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 be allocated to projects in the subsequent funding cycle. No partial grant awards will be made.

■ 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 particulate matter (PM_{10}) that will be reduced over the life of the 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 Criteria 1

TFCA $/Ton			Points	TFCA $/Ton			Points
$0	-	$14,999	60	$38,000	-	$38,999	36
$15,000	-	$15,999	59	$39,000	-	$39,999	35
$16,000	-	$16,999	58	$40,000	-	$40,999	34
$17,000	-	$17,999	57	$41,000	-	$41,999	33
$18,000	-	$18,999	56	$42,000	-	$42,999	32
$19,000	-	$19,999	55	$43,000	-	$43,999	31
$20,000	-	$20,999	54	$44,000	-	$44,999	30
$21,000	-	$21,999	53	$45,000	-	$45,999	29
$22,000	-	$22,999	52	$46,000	-	$46,999	28
$23,000	-	$23,999	51	$47,000	-	$47,999	27
$24,000	-	$24,999	50	$48,000	-	$48,999	26
$25,000	-	$25,999	49	$49,000	-	$49,999	25
$26,000	-	$26,999	48	$50,000	-	and above	0
$27,000	-	$27,999	47				
$28,000	-	$28,999	46				
$29,000	-	$29,999	45				
$30,000	-	$30,999	44				
$31,000	-	$31,999	43				
$32,000	-	$32,999	42				
$33,000	-	$33,999	41				
$34,000	-	$34,999	40				
$35,000	-	$35,999	39				
$36,000	-	$36,999	38				
$37,000	-	$37,999	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]

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. 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 (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.

ATTACHMENT B

DRAFT TFCA FY 2003/04 POLICIES AND EVALUATION CRITERIA – COMMENTS RECEIVED AND STAFF RESPONSES

Agency or Entity/ Name of Signer	Summary of Comments	Staff Response
Advisory Council Technical Committee	1) Policy 27 - With clarification to the wording of the first paragraph to organize the policy as having four distinct options, the ACTC endorses the addition of this policy.	1) Thank you for your support.
Advisory Council Planning Committee	2) Policy 27 - With clarification to the wording of the first paragraph to organize the policy as having four distinct options, the ACPC endorses the addition of this policy.	2) Thank you for your support.
Staff initiated comment	3) Policy 26 – In some instances, no old vehicle is available in a fleet to be scrapped. For example, this policy does not offer flexibility in the event that a city is growing and has a need for additional heavy-duty vehicles, such as garbage trucks.	3) Staff suggests a change to the rule that will both meet the Board's intent, and also allow some flexibility. Staff suggests adding the underlined text to Policy 26: "a) replace an existing similar or equivalent vehicle within the applicable vehicle fleet <u>or within the fleet of the project sponsor</u>. The vehicle being replaced must be removed from service and destroyed (i.e., destruction of the engine block and frame/chassis) or; <u>b) add a diesel particulate filter to an existing similar or equivalent vehicle within the applicable vehicle fleet or within the fleet of the project sponsor. The filter 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."</u>
Staff initiated comment	4) Policy 23 – SULEV hybrid vehicles receive less incentive than other ULEV vehicles do.	4) Staff recommends increasing the incentive for hybrid vehicles that achieve the SULEV emission standard from $1,000 to $2,000 per vehicle, because SULEVs achieve greater emissions reductions than ULEVs. Note that hybrid SULEV and ULEV incentives remain lower than regular SULEV and ULEV incentives due to their lower incremental cost.

		Please note that District staff will review the incentive amounts for all light duty vehicles in spring 2003, prior to reauthorizing the Vehicle Incentive Program (VIP) for the FY 2003/04 cycle. At that time, staff may recommend adjustments in the incentive levels with the objective of increasing the overall cost-effectiveness of the VIP.
The Presidio Trust Mark Helmbrecht, Sr. Transp. Planner	5) <u>Policy 27</u> - In general, I'm supportive of the TFCA program supporting the alternative fuels programs. I think that is a very appropriate use of the funds.	5) Thank you for the comment.
William Hanna	6) <u>Policy 27</u> - I offer the following change to improve clarity, "To be eligible for TFCA funding,…..standard for 2004 and subsequent model year engine <u>standards.</u> 7) I think the intent of the policy statement is that to be eligible, new engines must meet the CARB standard of 2004 <u>or subsequent more stringent standards as they are introduced</u>. This will make the policy applicable later in time, when the 2004 standard is superceded by a more stringent one. 8) <u>Policy 24</u> - If you agree, this policy needs the same minor modification.	6) When the policy states "subsequent model year engine" it is referring to subsequent model years of the engine, not subsequent-year standards. In order to provide clarity, this can be removed without changing the intent. Staff suggests the following change to policies 27 and 24: "To be eligible for TFCA funding,…..standard for 2004 ~~and subsequent model year engines."~~ 7) The intent of the policy is that engines must meet the CARB 2004 standard. Staff does not intend to incorporate the flexibility at this time for future standards. When new standards are developed, staff will then consider whether or not to change this policy to reflect them. 8) Please see comment 7.
Peninsula Traffic Congestion Relief ALLIANCE Mike Stevenson, Shuttle Program Manager; and Christine Maley-Grubl, Executive Director	9) <u>Policy 29</u> – We appreciated that Air District staff met during the year with interested parties to discuss this new policy. Staff listened to concerns, then crafted realistic solutions. This proposed policy is much simpler to understand, implement, and audit than the CARB Fleet Rule. 10) <u>Policy 29</u> - Even with the simpler rules, we continue to have operational concerns with the implementation of these rules during a slow economy. We realize that service providers were given notice 18 months ago regarding a then undefined emission criteria. With the criteria defined, it will still take 9-12 months to receive new	9) Thank you for the comment 10) Staff crafted the policy to provide several options for shuttle providers and offer multiple pathways in which to be eligible for funds. Staff will continue to work with applicants who are attempting to meet this policy.

	equipment that meets the proposed emission standards. During the previously mentioned meetings, staff led us to believe that they were willing to work with applicants who were attempting to meet the requirements. If that is still the case, then we support Policy 29. 11) Policy 27 - While Policy 29 will increase shuttle vendor costs, Policy 27 will help defray those costs. For service providers that receive funding from a granted public agency, this item will provide a more affordable opportunity and ensure that many routes remain eligible for TFCA funding. We support this policy.	 11) Thank you for the comment.
San Francisco International Airport Roger Hooson, Landside Operations Office	12) Policy 24 - The language in this policy stating, "New vehicles with the ability to operate on gasoline or diesel as their primary fuel are not eligible," should be clarified to state that only dual-fuel vehicles are eligible. We had a problem with an operator that acquired and paid for bi-fuel propane and gasoline vehicles for which TFCA reimbursement was denied. 13) Policy 27 - Funding diesel vehicles makes adequate natural gas vehicle funding by the Air District uncertain. SFO and its partners have invested large amounts of resources in CNG infrastructure and vehicles, much of which depends on the continued availability of TFCA funds at the present level. This is especially true in travel industry in the current economic climate. CNG prices could increase and economies of scale would be lost if operators continued to maintain mixed fleets of diesel and CNG fleets due to Air District policies. Emissions are likely to increase. Funding diesel with TFCA compounds the lack of Carl Moyer monies for natural gas or zero-emission electric vehicle projects, and the real economic cost associated with TFCA Policy 26, which requires scrapping a vehicle for each heavy-duty vehicle funded.	12) Staff will clarify this by adding language that states, "New vehicles that are bi-fuel, or that otherwise have ~~with~~ 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." TFCA does not fund bi-fuel vehicles because they have the ability to be "switched" over to operate solely on gasoline. Dual-fuel vehicles do not have this switch over capability. 13) The Air District continues to support natural gas vehicles, but does not want to 'close the door' to other technologies that can achieve air quality improvements. Staff is proposing the eligibility of diesel repowers because it allows a very cost-effective use of TFCA monies, which means it stands to gain significant emissions reductions from engines that likely would have continued to pollute for many years. In addition, engine repowers are not required to meet any emissions standards. By providing incentive for repowers with the stringent optional reduced-emission NO_x plus NMHC CARB standard for 2004, a much cleaner engine is placed in a repowered vehicle than would have been without the incentive.

	14) Prior to any policy changes, we propose that diesel eligibility for TFCA be thoroughly studied, including detailed emissions comparisons applicable to the Bay Area, and well-advertised opportunities for public comment.	14) The cost-effectiveness of funding diesel repowers and retrofits, as proposed in Policy 27, is demonstrated by the Carl Moyer program. These projects achieve significant emissions reductions in the Bay Area for $13,000 per ton or less. Staff increased its solicitation this year for public comments on the proposed policy revisions. On November 21, staff notified its mailing list of over 700 recipients, including County Program Managers and past project sponsors, to provide comments. It provided presentations on Policy 27 to the Air District Advisory Council's Technical and Planning Committees. In addition, the policies were posted on the TFCA web page.
American Lung Association of San Francisco and San Mateo Counties Linda Weiner	15) <u>Policy 27</u> – The proposed policy change could have a significant effect on the rest of the TFCA program. It appears that staff doesn't know how this policy change will affect other segments of the clean air market, which suggests that this policy needs to be studied to assess the impacts before such a drastic step is taken. The proposed change could undermine the momentum developed for clean air fleets over the past ten years. Several large projects that have taken years to develop are under way and will likely take several more years to complete. TFCA funds represent a small but significant portion of the total cost of these projects. An interruption of funding, even on a temporary basis, may jeopardize the viability of these projects. 16) <u>Policy 27</u> - Dr. Alan Lloyd was mentioned in the Advisory Council's Technical and Planning Committees as justification for this policy, saying that he reassessed his view on diesel and predicted it would emerge as part of the solution to global climate change. However, Dr. Lloyd's comments in the Wall Street Journal were clearly not an endorsement of any diesel technologies. When his comments are taken within the context of his entire remarks, they are merely a statement about	15) Staff applauds the significant strides made in clean air fleets over the past ten years. Although the Air District promotes the use of alternative fuels, it seeks to do so in addition to, rather than at the expense of, other technologies that can provide emissions reductions. Because the Carl Moyer program successfully achieves cost-effective emissions reductions for diesel engine repowers and retrofits, staff is comfortable that this policy revision is not unreasonably drastic. 16) TFCA staff does not endorse any particular diesel technology. Staff proposes to open its policy to fund cost-effective technologies that include diesel retrofits, repowers, and fuel additives/substitutes. Staff does not propose to change vehicle emission reduction standards, and in fact proposes that repowers funded by TFCA must meet the optional reduced-emission NO_x plus NMHC CARB standard for 2004. This standard not only meets California's

	the potential for technology advancement in the area of light duty diesel. Dr. Lloyd does not propose to change vehicle emission reduction standards or requirements to accommodate diesel vehicles, which currently do not meet California's strict vehicle emission standards. 17) Policy 27 - We suggest that the staff conduct a more thorough assessment with input from all stakeholders and report back to the Mobile Source Committee. 18) Policy 27 - If the Committee decides to proceed, we then recommend, at a minimum, a cap on the amount for diesel re-powers in order to keep current alternative fuel projects going. We suggest that 80% of TFCA funds be used to offset purchase costs of alternative fuel vehicles and 20% of TFCA funds be used for diesel change- outs for the most polluting engines.	strict emission standards but would promote replacement of existing diesel engines with much cleaner ones than would otherwise be required. 17) Please see response to Comment 15. 18) Because the TFCA Regional Fund is a competitive process including many different project types (e.g., bicycle projects, smart growth projects, arterial management projects, etc.) we make the monies available to all project types. In addition, a set-aside of 20% of the funds for diesel change-outs, as suggested, could also act like a quota, providing funds for more projects than would have received grants under competition.
City and County of San Francisco Rick Ruvolo Manager, Clean Air Program	19) Policy 27 - I want to express serious concern about the proposal to fund the repower diesel engines. It seems that this could seriously undermine some of our great strides with natural gas. Why redirect TFCA money when there are so many good things happening? The City's Clean Air Program and the San Francisco Clean Cities Coalition respectfully requests that you reconsider this proposed policy at this time. 20) Policy 27 – In addition, it seems that Carl Moyer money is already available for to repower diesel engines.	19) Staff appreciates the great strides that have been achieved with natural gas. Regarding TFCA promotion of natural gas, please see the response to Comment 13. The TFCA program will not redirect money. Staff will provide an opportunity for all types of fuels that can provide emissions reductions to compete equally for TFCA dollars. 20) It is true that diesel repowers are eligible under the Carl Moyer program. Because these projects are cost-effective, staff believes that TFCA funds should be available for on-road vehicle projects of this type as well.
San Francisco County Transportation Authority Jose Luis Moscovich Executive Director	21) Policy 21 – This policy currently limits the Regional Fund to fund only clean air vehicle infrastructure development associated with electric vehicle projects. We urge the Air District to change this policy to also include natural gas infrastructure. This would be consistent with the Air District's goal of encouraging sponsors to incorporate natural gas vehicles into their fleets.	21) Staff recognizes that fueling infrastructure is needed to support alternative fuel vehicle projects. However, staff maintains that focusing the Regional Fund on subsidies for vehicles is the most cost-effective use of the monies. Experience has shown that when there is a large enough volume of vehicles, the demand acts as a catalyst for the private sector to install natural gas infrastructure. This renders public

		subsidies unnecessary. Natural gas infrastructure projects are eligible for TFCA Program Manager funds. This allows individual counties to determine situations where public sector investment is a local priority.
	22) Policy 21 - Policy 21 is unlikely to result in any electric recharging infrastructure for heavy-duty vehicle projects, since there are very few, if any, practical heavy-duty electric vehicles on the market, particularly for transit operators. Therefore, Policy 21, as currently proposed, would not realistically fund any clean air vehicle infrastructure projects with the Regional Fund. Policy 21 would need to be revised to include natural gas infrastructure for this policy to make sense for heavy-duty vehicles. Otherwise, Policy 21 has no true application for heavy-duty vehicles under the Regional Fund. 23) Policy 27 –We are very pleased that the Air District proposes to make particulate matter (PM) traps for heavy-duty diesel engines eligible for funding. This will allow the program to fund a cost-effective, quick-to-implement solution that will significantly reduce the amount of emissions produced by existing heavy-duty diesel engines.	22) It is true that Policy 21 is unlikely to result in the funding of electric recharging infrastructure for heavy-duty vehicles. This is not considered necessary since there are few, practical heavy-duty vehicles that would require recharging stations. Although this policy leaves the door open for future developments in this area, it is mostly aimed at light-duty vehicles since, to date, they have proven to be the best application for electric vehicle technology. For the reasons outlined in the response to Comment 21, staff does not recommend using Regional Funds for natural gas infrastructure. 23) Thank you for the comment.
Santa Clara Valley Transportation Authority Mona Babauta, Senior Management Analyst	24) Policy 29 - According to CARB's Final Regulation Order, if an agency is on the "diesel path", like VTA, diesel-fueled transit buses with 1996-2002 model year engines do not need to be retrofitted with a certified particulate matter (PM) trap until January 1, 2005. Therefore, our interpretation of the CARB "rule" is that post-1996 diesel, transit buses do not need PM traps until the FY04-05 funding cycle. VTA has already notified its shuttle vendors that their post-1996 vehicles do not require PM retrofitting until January 1, 2005. 25) Policy 29 - To emphasize that the vehicle types eligible for funding are only those listed, we suggest a "wrap-up"	24) It is true that an agency, such as the SCVTA, is not required to use diesel PM traps until the FY 04/05 funding cycle. But, in order for a shuttle to be eligible for TFCA funding, it must use one of the types of shuttle/feeder buses outlined in Policy 29. TFCA typically does not fund project sponsors to comply with regulations that they are already required to meet. But, TFCA often crafts its policies to fund early compliance with those regulations or to fund strategies that provide additional emissions reductions to those required by a particular regulation. 25) Staff suggests the following addition to Policy 29: "d) a post-1989 gasoline-fueled vehicle.

	statement at the end of the section that states that no other types of vehicles, except for those listed above, are acceptable for use in TFCA funded shuttle/feeder bus service projects. We suggest this because CARB's regulation asserts that diesel vehicles with 1991-1995 model year engines may be exempt from the retrofit requirement if the vehicles are within one year of retirement	No other types of vehicles, except for those listed in a through d above, are eligible for funding as shuttle/feeder bus service projects."
California Natural Gas Vehicle Coalition Michael L. Eaves President	26) Policy 27 – We are concerned about how retrofits and repowers will be implemented. This policy has the potential to achieve near term emission reductions but lose the gains if issues regarding extending vehicle life and vehicle retirement from service aren't addressed. 27) Policy 27 - The Coalition believes that there should be a different calculation methodology adopted for cost-effectiveness of retrofit technologies and a different scoring scale developed that would keep "new" vehicle projects from competing against retrofits. 28) Policies 26, 27 – Policy 26 requires that older, dirty vehicles replaced by new vehicles through the TFCA program are removed from service and destroyed. This policy ensures net emission reductions. Policy 27 is silent on vehicle life extension and timing of vehicle removal from service. Unless additional criteria are defined regarding vehicle life extension and retirement from service, long-term emission gains can be compromised. This is especially true for heavy-duty vehicles whose life is extended significantly beyond 2007 when the much more stringent EPA emission standards go into effect.	26) Staff will use project evaluation worksheets to address this. The worksheets take into account the impacts of vehicle life on emissions. Although retrofits and repowers may in many cases extend the vehicle life beyond what it would have originally achieved, staff believes that some vehicle life extensions will still be both cost-effective and acceptable because they will realize real near term gains compared to potential, but uncertain long term losses. Calculation worksheets will allow staff to address those cases where near term gains are at the expense of long term losses. 27) Staff realizes and intends that new vehicle projects and repowers/retrofits outlined in Policy 27 would compete against each other. Because this competition is what leads to funding the most cost-effective projects, staff does not recommend adopting a different calculation methodology for new vehicles versus repowers/retrofits. 28) One of the reasons that staff proposes Policy 27 is to capture a "market" of emissions that is currently untouched by TFCA. Engine repowers are not required to be replaced by new model year engines, which means that the replacements are not required to meet new model year emissions standards. By providing incentive for repowers with the stringent optional reduced-emission NO_x plus NMHC CARB standard for 2004, a much cleaner engine is placed in a repowered vehicle than would have been without the incentive. Unless the project sponsor can provide documentation that a repower will have a lifespan greater than 7 years, this will be the default. Although

		this can potentially increase the lifespan of a vehicle beyond what it may have originally achieved, the emission reduction would be large. When a more stringent EPA emission standard goes into effect, TFCA staff will determine whether or not to decrease the acceptable emissions under Policy 27.
	29) Policy 27 - It is also important to revise cost effectiveness criteria to address the variability of vehicle life. It may also be important to allocate a portion of funding for new vehicle projects and a separate portion of funding for retrofits and repowers projects. The Coalition supports the concepts being adopted with the noted reservations and concerns that can be addressed in further revised criteria.	29) Current project cost-effectiveness calculations take into account the variability of vehicle life. This is why staff feels that open competition is the best way to determine the most cost-effective projects. In addition, please see staff's response to Comment 18 regarding the suggestion to evaluate new vehicle projects separately from repowers/retrofits.
PG&E Jim Larson Senior Program Manager Clean Air Transportation Program	30) Policy 27 - Will these new options shift funds away from alternative fuels? These funds provide long-term planning security for natural gas fleets. Many fleet operators have made commitments to natural gas technologies counting on the availability of TFCA incentives. The possibility of a funds shifting away from the growing third-party fuel providers' fleet of alternative fueled vehicles jeopardizes the future of natural gas in the Bay Area's transportation market. We believe this new policy will drain the small amount of support funds in the Bay Area away from natural gas technologies in favor of diesel, to the detriment of public health. Will there still be a viable alternatively fueled market in the Bay Area to support inevitable advancements down the road if funding is diverted from it now? 31) Policy 27 - Will this policy strand alternative fuel assets and halt the momentum created in the growing alternative fuel fleet market in the area? 32) Policy 27 - Dr. Allen Lloyd's statements	30) Staff proposes this policy to provide an opportunity for all types of fuels that can provide emissions reductions to compete equally for TFCA dollars. Staff realizes that additional competition for the funds could result in alternative-fuels projects receiving less funding than they did in the previous funding cycle. But, this same shift is just as likely to happen for other reasons. For example, in fiscally strained years, TFCA typically receives more applications for maintenance projects, such as arterial management, which tend to be very cost-effective. 31) Staff cannot predict whether this policy will affect momentum in the alternative fuel fleet market. And while the Air District promotes the use of alternative fuels, it seeks to do so in addition to, rather than at the expense of, other technologies that can provide emissions reductions. 32) Dr. Allen Lloyd and EPA staff were

	in support of diesel technology may have been taken out of context in staff comments. His comments were an effort to appease the auto manufacturers and referred to efficiency gains achieved when comparing light-duty gasoline to diesel vehicles. Any policy that promotes the use of diesel at the expense of natural gas will have exactly the opposite effect. Natural gas is over 90% domestically produced while petroleum based fuel is less than 39% domestically produced. If the District wishes to encourage a reduction in petroleum dependency it should be included as an evaluation criteria in the proposal evaluation process. This criterion should also be weighted since this benefit differs depending on fuel type.	mentioned at the Advisory Council Technical Committee as an example of experts in the field who have recently changed their sentiments toward diesel. Thank you for the clarification. Air District staff promotes the use of alternative fuels, but is seeking to add other technologies that can provide emissions reductions. New advances in diesel technologies make it a good way to reduce emissions and one of the District's primary concerns is the reduction of emissions in the most cost-effective manner. In the Advisory Council Technical Committee, staff mentioned that diesel can reduce our dependence on imported petroleum because it is an added benefit of this policy. But, it is not an evaluation criterion.
	33) Policy 27 - Will aftertreatment retrofits, such as oxidation catalysts, be eligible for TFCA grants under this new policy? To that end, will natural gas engine repowers be eligible?	33) If aftertreatment retrofits are on the CARB retrofit tier list, then they would be eligible for TFCA grants. Natural gas engine repowers, provided they meet the specified CARB standard, have always been eligible for TFCA grants and will continue to be eligible.
	34) Policy 27 - How will emissions benefits of repowers be calculated for cost effectiveness? Will emissions certification of the new engine be compared to that of the engine it is replacing or to the current minimum CARB standard?	34) The emissions benefits will be calculated using the certified emissions of the existing diesel engine and the certified emissions of the replacement engine. This standard is adopted from, and based on, the success of the Carl Moyer program.
	35) Policy 27 - In a repower scenario, will the new diesel engine need to exceed the minimum CARB emission certification standards or merely meet a minimum standard in order to qualify?	35) In a repower scenario, the new diesel engine must be at least as low as CARB's optional reduced-emission NO_x plus NMHC standard for 2004 (1.8 g/bhp-hr. In other words, the new engine must exceed the minimum CARB emission certification standard (2.4 g/bhp-hr).
	36) Policy 27 – For engines that test below the CARB standard but are rounded up the next highest tier, can the actual tested emissions performance including degradation factor (DF) be used as opposed to the certification tier? This will best	36) Staff will evaluate engines' emissions using their certified emissions values. This maintains consistency with how staff has done it in the past, and ensures that the desired emissions are achieved.

	achieve the benefits of natural gas engines, which historically have exceeded regulations.	
	37) <u>Policy 27</u> - How will the emissions benefits of aftertreatments be calculated with respect to the life of that emissions benefit?	37) The emissions benefits will be calculated over the life of the project. The project life will be determined on a case-by-case basis because there are so many potential combinations. TFCA will not fund project sponsors to comply with regulations that they are already required to meet. For example, the life of the emissions benefit of a particulate filter for a garbage collector will only be the interim period between when the device is installed and when CARB requires the device to be installed.
	38) <u>Policy 27</u> - Will BAAQMD establish project lifetimes for various options such as repowers, vehicle replacements, aftertreatment retrofits, etc?	38) Staff will allow project sponsors to provide documentation supporting the project lifetime for repowers, and for retrofits subject to the information explained in Comment 37 above. But, when documentation cannot be provided the default for repowers will be seven years. This is consistent with the Carl Moyer Program.
	39) <u>Policy 27</u> - Current diesel particulate traps and filters do not meet CARB's 2004 verification requirement of no more than 20% NO2 slip. Aftertreatment manufacturers will be required to meet this standard in 2004. Will PM traps and filters that perform at the current higher slip rate (up to 50%) be eligible between now and 2004?	39) PM traps and filters must meet the 2004 standard. Due to the timing of our funding cycle, it is unlikely that PM retrofit filters will be purchased before 2004. However, to ensure this, staff proposes the following addition to Policy 27: "<u>5) particulate matter (PM) retrofit filters must meet CARB's 2004 standard of no more than 20% NO_2 slip.</u>"
	40) <u>Policy 27</u> – I understand that biodiesel may be eligible for funding under subsection d) of this policy. Would biodiesel use in a compression ignition natural gas engine (Cummins Westport or Caterpillar Clean Air Partners technology) used as a pilot fuel be eligible?	40) Biodiesel used in compression ignition natural gas engines as a pilot fuel would be eligible for funding. But, it is not possible to determine, without knowing the specifics of a given project, whether or not it would be cost-effective and competitive.
	41) <u>Policy 27</u> - Is natural gas an eligible fuel under this rule change? How would the incentive be handled if the fuel were cheaper than diesel? Since natural gas is	41) Natural gas is not eligible for funding under this policy for two reasons. First, funding for fuel alternatives is intended as an incentive

	normally cheaper than diesel or gasoline and there is no increment, not providing an incentive would have the effect of leveling the fuel price and adversely affecting the operational cost benefit of natural gas. To avoid this, I would suggest providing a similar incentive as would apply to a biodiesel B-20 or emulsified diesel application.	to defray the incremental cost (over conventional diesel) of technologies that receive emissions reductions. Most of the time, natural gas costs less than conventional diesel and so has no incremental cost. The second reason is that fuel substitutes/additions have no capital costs involved with them. They are projects in and of themselves. With natural gas, TFCA is funding a new or repowered engine, for which natural gas is just a by-product of the vehicle or engine purchase.
	42) <u>Policy 27</u> - What will the benchmark be to determine the incremental cost? Low sulfur diesel, conventional diesel, average Bay Area price, retail, rack?	42) The common benchmark used for evaluations is the retail rate for conventional diesel (the type of diesel available at the pump). TFCA staff would consult with the California Energy Commission to determine diesel price. In addition, staff would request the applicant to submit the current fuel prices charged for their fleets and indicate if any volume or wholesale discounts are given.
	43) <u>Policy 27</u> - The impacts, both positive and negative, of such a significant policy change should be well understood before it is implemented. Perhaps a more gradual or incremental shift of policies or cap on the portion of funds that would be eligible for diesel repowers and associated fuels would ensure a more equitable distribution of funds to all interested parties. To prevent a diversion of funds from alternative-fuel projects, and to continue to support the alternative-fueled vehicle fleets in the Bay Area, I suggest a cap on the amount of funds that can go to diesel-based technologies.	43) Staff believes that the cost-effectiveness criteria required for all projects will ensure that the impacts of this new policy are positive. For additional details, please see the response to Comment 15. Regarding the proposal of a cap on funds for diesel-based technologies, please see the response to Comment 18.
	44) Since the fiscal impacts of the proposal are not known it should not be adopted at this time. Staff should be directed to conduct a detailed assessment of all impacts of the proposal, including public hearings and report back to the Mobile Source Committee with the results.	44) The TFCA program has for the last ten years, at the direction of its Board, reviewed policies on an annual basis and proposed revisions based on staff knowledge and experience, and the inputs of our applicants. Staff feels that this policy will have positive impacts, as explained in the response to Comment 15. In addition, staff solicited public comment as detailed in the response to

		Comment 14, evaluated these comments and changed its proposed policies as it saw necessary, and is including these comment responses in its report to the Mobile Source Committee.
SamTrans, JPB, TA staff Richard Cook	45) <u>Policy 27,29</u> – If instituted in 2004, this policy will be extremely difficult to meet. Some busses currently in use cannot be retrofitted and there are few funds this year for replacement. Some of the policy options involve components not generally available to the public and supplies of low sulfur diesel are not generally available to any vendor without their own tanks. I suggest sending an employee out to inspect fueling stops and you will find no pump marked low sulfur. 46) <u>Policy 27</u> - Biodiesel poses other problems, such as flow gelling, that require special supplies to overcome. Although we will apply to you for grants to meet the retrofit component section, funds are not readily available to meet the additional cost of infrastructure and fuel costs. 47) <u>Policy 29</u> - I suggest that you phase this requirement in over a period of years as ADA requirements were implemented. This was done by replacing buses with compatible equipment as they were up for replacement. In this severe recession, we suggest you require 20% of busses meet the standards the first year, and then perhaps 40% the second year, etc.	45) Based on discussions with users of ultra low sulfur diesel (ULSD), staff is confident that this fuel is available. Staff would be glad to assist project applicants in finding ULSD providers. 46) The addition of Policy 27 will make retrofit devices eligible for TFCA funding. This may help shuttle providers to purchase equipment that will allow them to also receive funding under Policy 29. Policy 27 makes fuel additives/ substitutes eligible for funding. This allows the purchase of fuels, such as biodiesel and emulsified diesel, which do not require any changes to existing diesel engines to use. 47) Service providers were notified of the CARB emissions standards 18 months ago. In addition, TFCA policies have contained language since 2001 stating that compliance with the CARB standards in the 2003/04 funding cycle would be a requirement for funding. In addition, staff wants to ensure that the requirements for TFCA are simple to understand and wants to assist providers to meet them. Staff has therefore made an effort to meet with providers, hear their concerns, and create policies that allow flexibility. The proposed policy provides several pathways in which to be eligible for funds.
Bay Area Council Michael	48) <u>Policy 27</u> - What is the "incremental" cost of a clean fuel additive, an engine retrofit package, or a repower? Increment	48) Staff proposes the following addition to Policy 27: "4) ~~The~~ TFCA will fund, at most, the

Cunningham	over what? Or perhaps this means that it covers only initial purchase/installation, but not future "life cycle" costs? This seems confusing to me.	incremental cost of the technology (over what is standard or required by regulation) of the technology, ~~or~~ fuel additive, or substitute."
San Francisco Municipal Railway Jose Cisneros Deputy General manager for Capital Planning & External Affairs	49) Policy 21 – This section currently limits CAV Infrastructure funded by the Regional Funds to electric vehicle recharging infrastructure only. We encourage you to include natural gas-fueled vehicle infrastructure in this section. For both the Program Manager and Regional Funds, we encourage you to include infrastructure for hybrid vehicles, provided they are certified by CARB. 50) Policy 24 – We encourage you to include eligibility for hybrid vehicles, provided they are certified by CARB. 51) Policy 27 – We are very pleased to see the TFCA program funding PM trap retrofits.	49) District staff does not recommend allowing TFCA Regional Funds for natural gas or hybrid infrastructure for the reasons explained in the response to Comment 21. 50) Hybrid vehicles are eligible under Policy 24. 51) Thank you for the comment.
Sonoma County Transit Bryan Albee Transit Systems Manager	52) Policy 27 - Sonoma County Transit heavily relies on TFCA funds to transition its diesel fleet to compressed natural gas. We are concerned about this policy but understand BAAQMD's desire to consider it and applicants' desire for TFCA project eligibility. We ask that a two-tier evaluation process that considers and funds vehicle replacement projects requested under Policy 25 first, and then considers projects and funds projects requested under Policy 27. This would give higher standing to transit operators who have chosen the "alternative fuel" path under CARB's urban transit bus regulation.	52) Staff does not recommend a two-tier evaluation process because it would endorse a particular fuel type at the expense of another. Although the Air District promotes the use of alternative fuels, it seeks to do so in addition to, other technologies that can provide emissions reductions. Staff believes that the competitive process for all Regional Fund project types is the best way to determine cost-effective projects.
Alameda County Congestion Management Agency Dennis Fay Executive Director	53) General - The program's enabling legislation should be reviewed on a routine schedule to ensure the most effective projects are included as eligible activities in the program. 54) General - Projects eligible for funding	53) The District reviews the TFCA program's enabling legislation on a regular basis. The legislative language has been amended on several occasions; most recently in 1999. Staff believes that the existing legislative language is serving the program well. Staff will recommend changes as needed (when project types or focus shifts) in the future to ensure that effective project types are eligible. 54) All project types specified in the

	in the policies should match the eligible project types in the enabling legislation; including implementation of rideshare programs and of congestion pricing of highways, bridges and public transit.	TFCA enabling legislation are eligible for funding. Staff then develops policies pertaining to specific project types as necessary.
	55) Policy 23 - Project categories with funding participation rates specified in the guidelines should be reevaluated on an annual basis to account for factors such as inflation or change in product pricing.	55) Staff reviews all incentive amounts on an annual basis as part of the review of its policies.
	56) General - All project types should be included in the Program Manager TFCA fund aggregate cost effectiveness calculation as they are all improving air quality within the program.	56) Staff believes that the existing calculation of aggregate cost for Program Manager projects is appropriate. Several project types or program costs are not included for the following reasons: Program Manager administrative costs are excluded because these costs are not directly related to implementation of any specific project. (Including these costs would negatively impact the aggregate cost-effectiveness). Although clean air vehicle (CAV) infrastructure projects make a positive contribution toward improving air quality, these costs are not included in the calculation of cost-effectiveness because the emission reductions are attributed to the vehicles rather than to the fueling infrastructure itself. Since the regional rideshare program receives funding from both the TFCA Regional Fund and Program Manager Fund, Program Manager funds allocated for this program are excluded in order to avoid double-counting these project costs. Cost-effectiveness is not calculated for light duty CAVs because the incentive amounts for these projects are pre-prescribed by TFCA Policy 23. Therefore, these projects are not included in the calculation of aggregate cost-effectiveness.
	57) Policy 31 - Consider reducing average daily traffic volume/average peak hour	57) Traffic calming measures, like traffic circles, can qualify as Smart Growth

	traffic volume requirements for non-standard arterial management strategies, such as traffic circles, to encourage their implementation.	projects, under Policy 32, which has no average daily traffic (ADT) requirements, if project sponsors submit a traffic calming plan, or other similar plan identifying the project. Without a plan, traffic circles are considered traffic roundabouts and fall under Policy 31, which requires a minimum ADT volume. Staff does not recommend reducing the required ADT volume because experience has shown that projects below this minimum are typically not cost-effective. They tend not to affect a sufficient volume of traffic to reduce emissions, get high enough emissions per vehicle, have a high enough increase in traffic speed, and/or the funding requests are comparable since the cost for a roundabout is dictated by the roadway and not the ADT volume.
	58) We request that additional information, such as the “BAAQMD List of Cost-Effective TFCA project Types for TFCA program Managers” (dated 1/24/02), be provided for arterial management projects to assist sponsors in submitting successful project applications.	58) Unlike other project types, individual arterial management projects tend to vary significantly. It has been too difficult to develop general criteria/parameters that can be helpful for even a majority of arterial management projects. So, staff remedies this by encouraging early contact with the TFCA representative for arterial management projects to inform the application process.
	59) General - New shuttle/feeder bus services applications should include a plan to provide Americans with Disabilities Act required complimentary service.	59) The current grant application requires that all shuttle/feeder bus service applicants verify compliance with the Americans with Disabilities Act.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Thomas Perardi
Director of Planning

Date: January 9, 2003

Re: Transportation Fund for Clean Air (TFCA) Audit Report #5

RECOMMENDED ACTION:

Recommend District Board acceptance of the results of TFCA Audit Report #5, including the auditor's findings and recommendations for actions to address financial and administrative issues.

BACKGROUND

State law requires that any agency receiving TFCA funding be subject, at least once every two years, to an audit of each program or project funded. The previous audit of the Program Manager Fund was completed in November 2000. The District retained the services of Macias, Gini and Company, an independent auditor, to conduct audits of 399 Program Manager projects awarded grants in FY 94/95 through FY99/00. The audits covered all fiscal and compliance activities that took place during the three-year period from July 1, 1997 to June 30, 2000. The auditor's Summary Report is provided as Attachment A and a list of the audited projects is provided as Attachment B.

A summary of the audit findings as well as the TFCA Program Manager and District actions taken to address each finding are listed below.

Alameda County Congestion Management Agency (ACCMA)

1. Administrative costs exceeded 5% in FY 97/98 by $14,652, but were less than 5% over the three-year audit period.

   Per the auditor's recommendation, the District will clarify the term of the 5% threshold for administrative costs in the annual Program Manager guidance document and funding agreements.

2. In FY 97/98 and 98/99, the ACCMA used indirect cost rates that were not approved by the District.

   Beginning in FY 99/00 and subsequently, the District has provided formal approval to the ACCMA of indirect cost rates.

3. The ACCMA did not maintain supporting documentation to establish that TFCA funds had been spent on approved projects.

The auditor was able to perform alternate procedures to support that the TFCA funds had been spent on approved projects. The ACCMA has adopted and implemented filing processes to ensure that proper documentation verifying TFCA funds are spent on approved projects is maintained.

4. The ACCMA did not maintain adequate accounting records establishing supervisory approval of TFCA expenditures.

   The ACCMA has adopted and implemented a policy to formalize claim approval and ensure adequate accounting procedures.

City/County Association of Governments of San Mateo County (C/CAG)

1. The C/CAG did not properly monitor project sponsors' requirement to publicize District funding of projects, such as the use of the TFCA logo on clean fuel vehicles purchased with TFCA funds.

   C/CAG will request improved monitoring reports from project sponsors to ensure compliance with the District's requirement to publicize the District's funding of projects.

Contra Costa County Transportation Authority (CCCTA)

1. Administrative costs exceeded 5% in FY 98/99 by $11,692, but were less than 5% over the three-year audit period.

   Per the auditor's recommendation, the District will clarify the term of the 5% threshold for administrative costs in the annual Program Manager guidance document and funding agreements.

2. The CCCTA had unexpended funds of $12,350 for one completed project that had not been reallocated.

   The CCCTA reprogrammed the unexpended funds in the FY 02/03 TFCA Funding Application for Program Managers.

Marin County Congestion Management Agency (MCCMA)

1. The MCCMA did not maintain adequate records during the audit period and was unable to locate two agreements with the District.

   Beginning in FY 2000/01, the MCCMA implemented a more complete and detailed filing system for every project.

2. The MCCMA did not properly monitor project sponsors' requirement to publicize District sponsorship of projects, such as the use of the TFCA logo on clean fuel vehicles purchased with TFCA funds.

   The MCCMA will require pictures, pamphlets and schedules documenting project sponsor compliance with the requirement to publicize the District's funding of TFCA projects.

3. Administrative costs exceeded 5% in FY 98/99 by $5,671, but were less than 5% over the three-year audit period.

Per the auditor's recommendation, the District will clarify the term of the 5% threshold for administrative costs in the annual Program Manager guidance document and funding agreements.

Napa County Transportation Planning Agency (NCTPA)

The auditor made no findings for the Napa County Transportation Planning Agency.

San Francisco County Transportation Authority (SFCTA)

1. Administrative costs exceeded 5% in FY 97/98 and 98/99 by $2,557, but were less than 5% over the three-year audit period.

   Per the auditor's recommendation, the District will clarify the term of the 5% threshold for administrative costs in the annual Program Manager guidance document and funding agreements.

Santa Clara Valley Transportation Authority

The auditor made no findings for Santa Clara Valley Transportation Authority.

Solano Transportation Authority (STA)

1. Administrative costs exceeded 5% in FY 98/99 by $204, but were less than 5% over the three-year audit period.

   Per the auditor's recommendation, the District will clarify the term of the 5% threshold for administrative costs in the annual Program Manager guidance document and funding agreements.

2. The STA Executive Director did not sign all of the Personnel Action forms authorizing pay increases for employees.

   In January 2002, the STA began requiring the signature of the Executive Director on Personnel Action forms that change an employee's pay rate.

Sonoma County Transportation Authority (SCTA)

1. Administrative costs exceeded 5% in FY 97/98 by $401, but were less than 5% over the three-year audit period.

   Per the auditor's recommendation, the District will clarify the term of the 5% threshold for administrative costs in the annual Program Manager guidance document and funding agreements.

2. The SCTA did not properly monitor project sponsors' requirement to publicize District sponsorship of projects, such as the use of the TFCA logo on clean fuel vehicles purchased with TFCA funds.

   The SCTA will work with District staff to implement monitoring procedures showing project sponsor compliance with the requirement to publicize the District's funding of TFCA projects.

3. The SCTA requested in writing the transfer of funds between projects but did not receive written documentation from the District approving the fund transfers.

The District will provide a formal written response to Program Manager requests for fund transfers.

In the past, it has been standard Air District practice that any transfer of funds between approved projects must be requested in writing by the County Congestion Management Agency. The Air District contact person has had the authority to verbally approve the transfer and make the change. In the future, the Air District will follow these approvals up with written documentation.

Macias and Gini also reported on the status of the District's implementation of recommendations from their prior TFCA audit.

1. In the 1998 audit of the TFCA program the auditors recommended that the District and Program Managers fund all projects on a reimbursement basis only, instead of advancing funds to project sponsors.

   The District and Program Managers have successfully implemented the reimbursement of project sponsors on a reimbursement basis.

2. The 1998 audit recommended improved project implementation monitoring, including detailed review of program manager annual reports and written District confirmation of modifications to the funding agreement.

   Program managers are submitting to the District detailed annual reports containing financial and project status. The District will confirm in writing modifications to the funding agreement.

3. The 1998 audit recommended that the District and Program Manager funding agreements improve the definitions of allowable expenditures, use of matching funds and adequate support for expenditures.

   The funding agreements have been revised to clarify compliance requirements.

4. The 1998 audit recommended alternating annual audits between Program Manager and Regional Program audits.

   The District is alternating audits between the Program Manager and the Regional Program Funds. The District did not conduct this Program Manager audit within two years of the previous Program Manager audit. However, the audit of Regional Fund projects is already underway and is scheduled to be completed May 2003.

Overall, the audit findings have been resolved or will be resolved through minor administrative changes by the Program Managers or the District's TFCA program.

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

None.

Respectfully submitted,

Thomas Perardi
Planning and Research Director

Prepared by: Joseph Steinberger
Reviewed by: Jean Roggenkamp

FORWARDED: ____________________________

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Smith and
Members of the Mobile Source Committee

From: Thomas Perardi
Director of Planning and Research

Date: January 9, 2003

Re: Contractor selection for Vehicle Buy Back Program direct mail service

RECOMMENDED ACTION:

1) Recommend Board approval of Mail Stream Corporation as the contractor for the FY 02/03 Vehicle Buy Back Program direct mail service provider.
2) Recommend the Board authorize the Executive Officer to execute a contract for up to $110,000 with Mail Stream Corporation to provide direct mail services.

BACKGROUND

In January 2000, the Air District commenced a direct mail campaign to increase the rate at which vehicles are purchased and scrapped through the Vehicle Buy Back (VBB) Program. The direct mail campaign informs potentially eligible vehicle owners about the VBB Program. Since the inception of the direct mail campaign, the rate at which vehicles are being scrapped under the VBB Program has tripled. Funding for the continuation of the direct mail campaign is included in the approved FY 02/03 budget under Program 612. The contract with the proposed new contractor will commence on March 1, 2003 and extend to February 29, 2004.

The Vehicle Buy Back Program direct mail effort uses the California Department of Motor Vehicle's (DMV) database to directly contact, by letter, owners of 1981 and older vehicles that may be eligible for the program. The Air District staff considers the direct mail effort the most cost effective and efficient means to reach the largest number of potential VBB Program participants. The scope of work requires the contractor to convert information on registered vehicle owners into Microsoft Access database format. Twice per month, the Air District will select from the database and provide to the contractor a list of potentially eligible vehicle owners to receive letters regarding the VBB Program. The average list will have approximately 14,600 names. The Air District and contractor will coordinate the mailing to coincide with the owner's receipt of their vehicle registration renewal notice from the California Department of Motor Vehicles. The contractor will print and merge the text of a one-page letter with the names and addresses of vehicle owners provided by the Air District, and mail the letters via the U.S. Post Office.

DISCUSSION

On November 14, 2002, the Air District issued a Request for Proposals (RFP) seeking a direct mail service provider for the FY 02/03 VBB Program. The RFP was mailed to 41 mail service providers in the Bay Area and two mail service providers outside of the Bay Area. These included minority and women's business enterprises. In addition, the RFP was posted on the Association of Bay Area Governments website and the Air District website. Responses were due by December 12, 2002. The procedures used in the issuance of this RFP comply with the District's Administrative Code and with Division 2 of the California Public Contract Code.

The Air District received 12 proposals in response to the RFP. The proposals were evaluated against criteria set forth in the RFP; price and demonstration of ability to perform the work. Applicants were required to provide prices for data management costs, letter and envelope production cost, and standard mail bulk rate postage and delivery cost for up to 350,000 pieces of mail. The 350,000 pieces of mail reflects the approximate number of registered vehicle owners in the Air District with vehicles ranging in model year between 1966 and 1981 that would potentially be eligible for the VBB Program. Model year 1965 and older vehicle owners will not receive a letter because experience has shown that many of the vehicles of this vintage are classic or collector cars and would not be suitable for the program.

The table below lists the bid prices, from lowest to highest, for each proposal. These bid prices do not include postage. Postage would range from $0.19 to $0.23 per piece for standard bulk rate. At current postal rates, 350,000 pieces of mail would range in cost from $66,500 to $80,500.

Evaluating the proposals using the price criterion set forth in the RFP, the table below indicates that The Mail Box's bid price was the lowest, followed by CDCI/SourceLink and Mail Stream Corporation. Based on the second criterion for evaluating the proposals, ability to perform the mailing, staff believes that Mail Stream Corporation, located in Concord, provides an advantage. The Mail Box and CDCI/SourceLink offices' located in Dallas, Texas and Miamisburg, Ohio, respectively, would make it difficult for Air District staff to work closely with the contractor. In addition, mail delivered to a post office outside of the Bay Area would take longer to reach its Bay Area destination. Based on these factors and the small incremental difference in the bid prices between these three proposals, staff recommends Mail Stream Corporation be awarded the contract.

Direct Mail Service Provider Proposals in Response to RFP

Company	City	State	Cost*
The Mail Box	Dallas	TX	$23,278
CDCI/SourceLink	Miamisburg	OH	$24,500
Mail Stream Corporation	Concord	CA	$26,731
Roadrunner Quick Sort	San Ramon	CA	$29,856
Data Marketing, Inc.	San Jose	CA	$33,689
SourceCorp	Orange	CA	$35,886
AdMail	Hayward	CA	$44,131
Fredco Marketing	San Francisco	CA	$44,989
First Class Plus, LLC	San Francisco	CA	$49,800
K/P Corporation	San Leandro	CA	$51,145
InfoIMAGE	South San Francisco	CA	$58,270
Direct Mail Center	San Francisco	CA	$67,930

*Bids for Pieces Mailed do not include postage

BUDGET CONSIDERATION / FINANCIAL IMPACT:

None.

Respectfully submitted,

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FORWARDED: ________________________________