



# Memorandum

**Date:** January 16, 2019  
**To:** Transportation Authority Board  
**From:** Anna LaForte – Deputy Director for Policy and Programming  
**Subject:** 02/12/19 Board Meeting: Adoption of the Fiscal Year 2019/20 Transportation Fund for Clean Air Local Expenditure Criteria

<p><b>RECOMMENDATION</b> <input type="checkbox"/> Information <input checked="" type="checkbox"/> Action</p> <ul style="list-style-type: none"> <li>Adopt the Fiscal Year (FY) 2019/20 Transportation Fund for Clean Air (TFCA) Local Expenditure Criteria</li> </ul> <p><b>SUMMARY</b></p> <p>The TFCA program is funded by a \$4 vehicle registration fee collected by the California Department of Motor Vehicles in the nine-county Bay Area. The Bay Area Air Quality Management District (Air District) makes 40 percent of the TFCA program revenues available to each county on a return-to-source basis to implement strategies to improve air quality by reducing motor vehicle emissions, in accordance with the Air District’s Clean Air Plan.</p> <p>As the County Program Manager for San Francisco, the Transportation Authority is required annually to adopt Local Expenditure Criteria to guide how projects will be prioritized for San Francisco’s share of TFCA funds. Reflecting discussions at CAC and Board meetings over the past year, we are proposing three new criteria to add to our time-tested criteria from prior years (see Attachment 1). The new criteria would give higher priority to projects that benefit communities of concern, to projects that demonstrate community support, and, for projects with non-public entity applicants or partners, to projects that include commensurate non-public investments. We are not proposing changes to existing criteria, which include ranking priority by project type, cost effectiveness of emissions reduced, project readiness, sponsor’s project delivery track record, and program diversity. Following Board approval of the criteria, we will issue the FY 2019/20 call for projects for approximately \$720,000.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Allocation</li> <li><input checked="" type="checkbox"/> Fund Programming</li> <li><input type="checkbox"/> Policy/Legislation</li> <li><input type="checkbox"/> Plan/Study</li> <li><input type="checkbox"/> Capital Project Oversight/Delivery</li> <li><input type="checkbox"/> Budget/Finance</li> <li><input type="checkbox"/> Contract/Agreement</li> <li><input type="checkbox"/> Other:</li> </ul> <hr/>
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**DISCUSSION**

**Background.** In 1991, the California Legislature authorized the Air District to impose a \$4 vehicle registration surcharge to provide grant funding to projects that address on-road motor vehicle emissions, helping the Bay Area meet state and federal air quality standards and greenhouse gas emission reduction goals. The Air District awards sixty percent of the TFCA funds through the TFCA Regional Fund, a suite of competitive grant programs for projects that reduce emissions from on-road motor vehicles. The Air District holds calls for projects for each of the project categories available

(i.e. bikeways, electric vehicle charging stations, zero-emission and partial-zero-emission vehicles, and shuttle and ridesharing projects).

The Air District transfers the remaining forty percent of the TFCA funds to designated County Program Managers, such as the Transportation Authority, in each of the nine Bay Area counties to be awarded to TFCA-eligible projects. Each year the Air District adopts the County Program Manager Fund Expenditure Plan Guidance, which includes the list of eligible projects and defines policies for the expenditure of the County Program Manager Fund. The latest guidance document (Attachment 3) includes policy changes that we have advocated for, such as increasing the cost-effectiveness eligibility limit for electric vehicle charging stations in multi-dwelling unit buildings, transit stations, and park-and-ride facilities to incentivize these projects and allowing the replacement of heavy-duty vehicles with light-duty vehicles, where such vehicles would be more appropriate.

As in past years, any public agency may be a project sponsor for a TFCA-funded project. Private entities may sponsor vehicle projects such as alternative-fuel vehicles and infrastructure projects, or partner with public agencies for all other project types.

**Local Expenditure Criteria.** Our experience with previous application cycles shows that the projected TFCA revenues generally are sufficient to fund most, if not all, of the projects that satisfy TFCA eligibility requirements established by the Air District, including a requirement that each project must achieve a cost effectiveness ratio as established in the adopted TFCA County Program Manager Fund Guidance. Thus, while some counties have established a complex point system for rating potential TFCA projects across multiple local jurisdictions and project sponsors, our assessment is that over time San Francisco has been better served by not assigning a point system to evaluate applications.

Our proposed FY 2019/20 Local Expenditure Criteria, detailed in Attachment 1, include the following three new criteria (#4-6, in Attachment 1):

- **Community Support** – Priority will be given to projects with demonstrated community support (e.g. recommended in a community-based transportation plan, outreach conducted to identify locations and/or interested neighborhoods, or a letter of recommendation provided by the district Supervisor).
- **Benefits Communities of Concern** – Priority will be given to projects that directly benefit Communities of Concern, whether the project is directly located in a Community of Concern (see map) or can demonstrate benefits to disadvantaged populations.
- **Investment from Non-Public Project Sponsors or Partners** – Non-public entities may apply for and directly receive TFCA grants for alternative-fuel vehicle and infrastructure projects and may partner with public agency applicants for any other project type. For projects where a non-public entity is the applicant or partner, priority will be given to projects that include an investment from the non-public entity that is commensurate with the TFCA funds requested.

We have reviewed the proposed changes with the Transportation Authority's Technical Working Group, composed of representatives from local and regional transportation agencies, which was supportive of the staff proposal.

Upon application, projects first undergo an eligibility screening. As in prior years, only projects that meet all of the Air District's TFCA eligibility requirements will be prioritized for funding using the Transportation Authority's Local Expenditure Criteria.

We continue to work with the Air District and other County Program Managers to improve the TFCA

program's effectiveness at achieving air quality benefits, decrease its administrative burden, and allow the County Program Manager's more flexibility to address each county's unique air quality challenges and preferred methods of mitigating mobile source emissions.

**Next Steps.** Following Board approval of the Local Expenditure Criteria, we will release the TFCA call for projects, anticipated by March 1, 2019. After reviewing and evaluating project applications, we will present a recommended TFCA FY2019/20 program of projects to the CAC in May and the Board in June 2019 for approval. Attachment 2 details the proposed schedule for the FY 2019/20 TFCA call for projects.

### **FINANCIAL IMPACT**

There are no impacts to the Transportation Authority's adopted FY 2018/19 budget associated with the recommended action. Approval of the Local Expenditure Criteria will allow the Transportation Authority to program approximately \$720,000 in local TFCA funds to eligible San Francisco projects and to receive about \$50,000 for ongoing administration of the TFCA program. These funds will be incorporated into the FY 2019/20 budget and subsequent year budgets to reflect anticipated TFCA project cash reimbursement needs.

### **CAC POSITION**

The CAC will consider this item at its January 23, 2019 meeting.

### **SUPPLEMENTAL MATERIALS**

Attachment 1 – Draft FY 2019/20 TFCA Local Expenditure Criteria

Attachment 2 – Proposed Schedule for TFCA FY 2019/20 Call for Projects

Enclosure – County Program Manager Fund Expenditure Plan Guidance for Fiscal Year Ending 2020

## Attachment 1

### Fiscal Year 2019/20 Transportation Fund for Clean Air (TFCA)

#### DRAFT LOCAL EXPENDITURE CRITERIA

The following are the Fiscal Year 2019/20 Local Expenditure Criteria for San Francisco's TFCA County Program Manager Funds.

#### ELIGIBILITY SCREENING

In order for projects to be considered for funding, they must meet the eligibility requirements established by the Air District's TFCA County Program Manager Fund Policies for Fiscal Year 2019/20. Consistent with the policies, a key factor in determining eligibility is a project's cost effectiveness (CE) ratio. The TFCA CE ratio is designed to measure the cost effectiveness of a project in reducing motor vehicle air pollutant emissions and to encourage projects that contribute funding from non-TFCA sources. TFCA funds budgeted for the project are divided by the project's estimated emissions reduction. The estimated reduction is the weighted sum of reactive organic gases (ROG), oxides of nitrogen (NOx), and particulate matter (PM) emissions that will be reduced over the effective life of the project, as defined by the Air District's guidelines.

TFCA CE is calculated by inputting information provided by the applicant into the Air District's CE worksheets. Transportation Authority staff will be available to assist project sponsors with these calculations and will work with Air District staff and the project sponsors as needed to verify reasonableness of input variables. The worksheets also calculate reductions in carbon dioxide (CO<sub>2</sub>) emissions, which are not included in the Air District's official CE calculations, but which the Transportation Authority considers in its project prioritization process.

**Consistent with the Air District's Guidelines, in order to be eligible for Fiscal Year 2019/20 TFCA funds, a project must meet the CE ratio for emissions (i.e., ROG, NOx, and PM) reductions as specified in the guidelines for each project type. Projects that do not meet the appropriate CE threshold cannot be considered for funding.**

#### PROJECT PRIORITIZATION

Candidate projects that meet the cost effectiveness thresholds will be prioritized for funding based on the two-step process described below:

**Step 1** - TFCA funds are programmed to eligible projects, as prioritized using the Transportation Authority Board-adopted Local Priorities (see next page).

**Step 2** – If there are TFCA funds left unprogrammed after Step 1, the Transportation Authority will work with project sponsors to develop additional TFCA candidate projects. This may include refinement of projects that were submitted for Step 1, but were not deemed eligible, as well as new projects. This approach is in response to an Air District policy that does not allow County Program Managers to rollover any unprogrammed funds to the next year's funding cycle. If Fiscal Year 2019/20 funds are not programmed within 6 months of the Air District's approval of San Francisco's funding allocation, expected in June 2018, funds can be redirected (potentially to non-San Francisco projects) at the Air

District's discretion. New candidate projects must meet all TFCA eligibility requirements and will be prioritized based on the Transportation Authority Board's adopted Local Priorities.

## Local Priorities

The Transportation Authority's Local Priorities for prioritizing TFCA funds include the following factors:

### 1. Project Type – In order of priority:

- 1) Zero emissions non-vehicle projects including, but not limited to, bicycle and pedestrian facility improvements, transit priority projects, traffic calming projects, and transportation demand management projects;
- 2) Shuttle services that reduce vehicle miles traveled (VMT);
- 3) Alternative fuel vehicles and alternative fuel infrastructure; and
- 4) Any other eligible project.

**2. Cost Effectiveness of Emissions Reduced**– Priority will be given to projects that achieve high CE (i.e. a low cost per ton of emissions reduced) compared to other applicant projects. The Air District's CE worksheet predicts the amount of reductions each project will achieve in ROG, NO<sub>x</sub>, PM, and CO<sub>2</sub> emissions. However, the Air District's calculation only includes the reductions in ROG, NO<sub>x</sub>, and PM per TFCA dollar spent on the project. The Transportation Authority will also give priority to projects that achieve high CE for CO<sub>2</sub> emission reductions based on data available from the Air District's CE worksheets. The reduction of transportation-related CO<sub>2</sub> emissions is consistent with the City and County of San Francisco's 2013 *Climate Action Strategy*.

**3. Project Readiness** – Priority will be given to projects that are ready to proceed and have a realistic implementation schedule, budget, and funding package. Projects that cannot realistically commence in calendar year 2020 or earlier (e.g. to order or accept delivery of vehicles or equipment, begin delivery of service, award a construction contract, start the first TFCA-funded phase of the project) and be completed within a two-year period will have lower priority. Project sponsors may be advised to resubmit these projects for a future TFCA programming cycle.

**4. Community Support** (*new*)– Priority will be given to projects with demonstrated community support (e.g. recommended in a community-based transportation plan, outreach conducted to identify locations and/or interested neighborhoods, or a letter of recommendation provided by the district Supervisor).

**5. Benefits Communities of Concern** (*new*) – Priority will be given to projects that directly benefit Communities of Concern, whether the project is directly located in a Community of Concern (see map) or can demonstrate benefits to disadvantaged populations.

**6. Investment from Non-Public Project Sponsors or Partners** (*new*) – Non-public entities may apply for and directly receive TFCA grants for alternative-fuel vehicle and infrastructure projects and may partner with public agency applicants for any other project type. For projects where a non-public entity is the applicant or partner, priority will be given to projects that include an investment from the non-public entity that is commensurate with the TFCA funds requested.

**6. Project Delivery Track Record** – Projects that are ranked high in accordance with the above local expenditure criteria may be lowered in priority or restricted from receiving TFCA funds if either of the following conditions applies or has applied during the previous two fiscal years:

- **Monitoring and Reporting** – Project sponsor has failed to fulfill monitoring and reporting requirements for any previously funded TFCA project.
- **Implementation of Prior Project(s)** – Project sponsor has a signed Funding Agreement for a

TFCA project that has not shown sufficient progress; the project sponsor has not implemented the project by the project completion date without formally receiving a time extension from the Transportation Authority; or the project sponsor has violated the terms of the funding agreement.

**7. Program Diversity** – Promotion of innovative TFCA projects in San Francisco has resulted in increased visibility for the program and offered a good testing ground for new approaches to reducing motor vehicle emissions. Using the project type criteria established above, the Transportation Authority will continue to develop an annual program that contains a diversity of project types and approaches and serves multiple constituencies. The Transportation Authority believes that this diversity contributes significantly to public acceptance of and support for the TFCA program.

Attachment 2  
 San Francisco County Transportation Authority  
 Fiscal Year 2019/20 Transportation Fund for Clean Air

**Draft Schedule for Fiscal Year 2019/20 TFCA Call for Projects\***

Thursday, January 17, 2019	Technical Working Group – DISCUSSION Local Expenditure Criteria
Wednesday, January 23, 2019	Citizens Advisory Committee Meeting – ACTION Local Expenditure Criteria
Tuesday, February 12, 2019	Transportation Authority Board Meeting – PRELIMINARY ACTION Local Expenditure Criteria
Tuesday, February 26, 2019	Transportation Authority Board Meeting – FINAL ACTION Local Expenditure Criteria
By Friday, March 1, 2019	Transportation Authority Issues TFCA Call for Projects
Friday, April 19, 2019, 5pm	TFCA Applications Due to the Transportation Authority
Wednesday, May 22, 2019	Citizens Advisory Committee Meeting – ACTION TFCA staff recommendations
Tuesday, June 11, 2019	Transportation Authority Board Meeting - PRELIMINARY ACTION TFCA staff recommendations
Tuesday, June 25, 2019	Transportation Authority Board Meeting – FINAL ACTION TFCA staff recommendations
Sept 2019 (estimated)	Funds expected to be available to project sponsors

\* Meeting dates are subject to change. Please check the Transportation Authority's website for the most up-to-date schedule ([www.sfcta.org/agendas](http://www.sfcta.org/agendas)).