



Memorandum

AGENDA ITEM 7

DATE: January 23, 2025
TO: Transportation Authority Board
FROM: Anna LaForte - Deputy Director for Policy and Programming
SUBJECT: 2/11/2025 Board Meeting: Adopt Fiscal Year 2025/26 Transportation Fund for Clean Air Local Expenditure Criteria

<p>RECOMMENDATION <input type="checkbox"/> Information <input checked="" type="checkbox"/> Action</p> <p>Adopt Fiscal Year (FY) 2025/26 Transportation Fund for Clean Air (TFCA) Local Expenditure Criteria</p> <p>SUMMARY</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 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. As the designated administering agency 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. Our proposed FY 2025/26 Local Expenditure Criteria (Attachment 1) do not include any changes from last year and are consistent with the Air District’s TFCA policies. The criteria establish a prioritization methodology based on project type, emission reduction benefits, program diversity, project readiness, and sponsor’s project delivery track record. Additional criteria give higher priority to projects that benefit Equity Priority Communities, demonstrate community support, and for applicants that are not public agencies, including commensurate non-public investments. Following Board approval of the criteria, we will issue the FY 2025/26 call for projects for about \$650,000.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input type="checkbox"/> Capital Project Oversight/Delivery <input type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other: _____
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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 60% 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 administering agencies, 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 40 Percent Fund (formerly known as the County Program manager Fund) Expenditure Plan Guidance, which includes the list of eligible projects and defines policies for the expenditure of the 40 Percent Fund. The latest guidance document (enclosed) includes policy changes, such as:

- Slight increase in the maximum cost-effectiveness limit for alternative fuel vehicles;
- Redefine the Air District's "Priority Areas" by removing the Air District's Community Air Risk Evaluation (CARE) areas from the definition;
- Revert the amount of time in which a grantee is required to commence a project from 24 to 12 months, as was the policy pre-pandemic;
- Update language so that zero emission vehicles are not restricted to the same gross vehicle weight rating as the baseline vehicle being replaced, which is intended to reduce restrictions on heavier battery-electric vehicles;
- Updated the bike-parking language to allow for upgrades from bike racks to e-lockers or to bicycle storage facilities;
- Removed a requirement to submit Interim Project Reports to the Air District.

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



DISCUSSION

Our proposed FY 2025/26 Local Expenditure Criteria (Attachment 1) do not include any changes from last year and are consistent with the Air District's TFCA policies for FY 2025/26. 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 40 Percent 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.

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. The prioritization criteria include consideration of the following factors:

- Project type (e.g., highest priority to zero-emissions non-vehicle projects like bike projects)
- Cost effectiveness
- Project readiness (e.g., ability to meet TFCA timely-use-of-funds guidelines)
- Program diversity
- Community Support
- Benefits Equity Priority Communities
- Investment from Non-Public Project Sponsors or Partners, if applicable
- Other factors (e.g., the project sponsor's recent delivery track-record for TFCA projects)

We continue to work with the Air District and other administering agencies to improve the TFCA program's effectiveness at achieving air quality benefits, decrease its administrative burden, and allow the administering agencies more flexibility to address each county's unique air quality challenges and preferred methods of reducing mobile source emissions.

Next Steps. Following Board approval of the Local Expenditure Criteria, we will release the TFCA call for projects, anticipated by March 7, 2025. After reviewing and evaluating project applications, we anticipate presenting a recommended TFCA FY 2025/26 program of projects to the Community Advisory Committee in May and the



Board in June 2025 for approval. Attachment 2 details the proposed schedule for the FY 2024/2025 TFCA call for projects.

FINANCIAL IMPACT

There are no impacts to the Transportation Authority's adopted FY 2024/25 budget associated with the recommended action. Approval of the Local Expenditure Criteria will allow the Transportation Authority to program an expected \$650,000 in local TFCA funds to eligible San Francisco projects and to receive an expected \$45,000 for ongoing administration of the TFCA program. These funds will be incorporated into the FY 2025/26 budget and subsequent year budgets to reflect anticipated TFCA project cash reimbursement needs.

CAC POSITION

The CAC considered this item at its January 22, 2025, meeting and unanimously adopted a motion of support for the staff recommendation.

SUPPLEMENTAL MATERIALS

- Attachment 1 - Draft FY 2025/26 TFCA Local Expenditure Criteria
- Attachment 2 - Draft Schedule for FY 2025/26 TFCA Call for Projects
- Attachment 3 - San Francisco Equity Priority Communities Map
- Attachment 4 - Resolution
- Enclosure - Air District 40 Percent Fund Expenditure Plan Guidance for Fiscal Year Ending 2026

Attachment 1
San Francisco County Transportation Authority
Fiscal Year 2025/26 Transportation Fund for Clean Air

DRAFT FISCAL YEAR 2025/26 TFCA LOCAL EXPENDITURE CRITERIA

The following are the Fiscal Year 2025/26 Local Expenditure Criteria for San Francisco's TFCA 40 Percent Fund program.

ELIGIBILITY SCREENING

In order for projects to be considered for funding, they must meet the eligibility requirements established by the Air District's TFCA 40 Percent Fund Expenditure Plan Guidance Commencing Fiscal Year Ending 2026. 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 (CO₂) 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 2025/26 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 below).

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 administering agencies to rollover any unprogrammed funds to the next year's funding cycle. If Fiscal Year 2025/26 funds are not programmed within 6 months of the Air District's approval of San Francisco's funding allocation, expected in May 2025, 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.

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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, NOx, PM, and CO₂ emissions. However, the Air District’s calculation only includes the reductions in ROG, NOx, and PM per TFCA dollar spent on the project. The Transportation Authority will also give priority to projects that achieve high CE for CO₂ emission reductions based on data available from the Air District’s CE worksheets. The reduction of transportation-related CO₂ emissions is consistent with the City and County of San Francisco’s 2021 *Climate Action Plan*.

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 2026 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 – 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 or a community-based organization).

5. Benefits Equity Priority Communities – Priority will be given to projects that directly benefit Equity Priority Communities, whether the project is directly located in an Equity Priority Community (see map in Attachment 3) or can demonstrate benefits to disadvantaged populations.

6. 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.

7. 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.

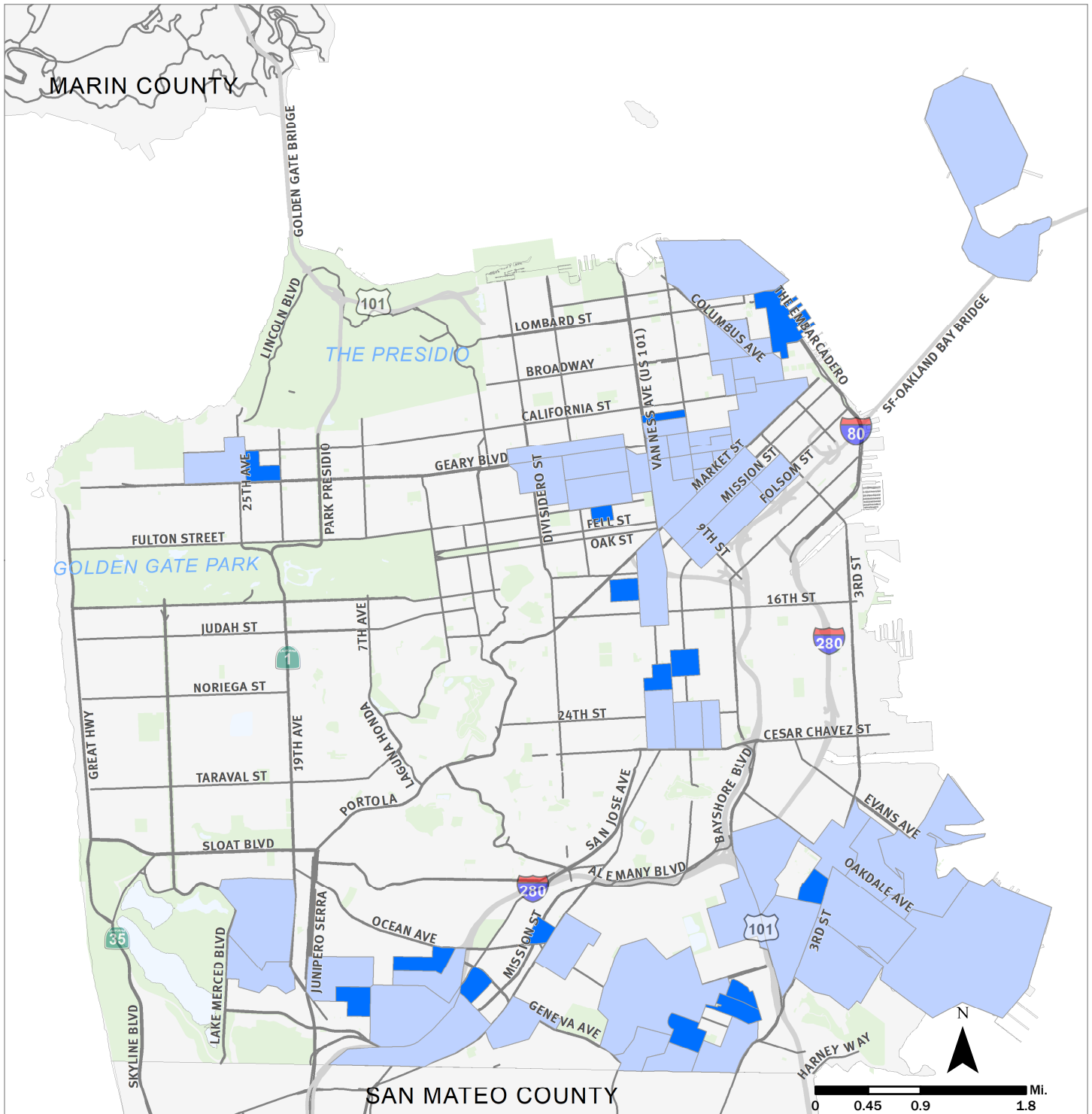
8. Program Diversity – Promotion of innovative TFCA projects in San Francisco has resulted in increased visibility for the program and offered a good testing ground for new approaches to reducing motor vehicle emissions. Using the project type criteria established above, the Transportation Authority 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 2025/26 Transportation Fund for Clean Air

Draft Schedule for Fiscal Year 2025/26 TFCA Call for Projects*

Wednesday, January 22, 2025	Community Advisory Committee Meeting – ACTION Local Expenditure Criteria
Tuesday, February 11, 2025	Transportation Authority Board Meeting – PRELIMINARY ACTION Local Expenditure Criteria
Tuesday, February 25, 2025	Transportation Authority Board Meeting – FINAL ACTION Local Expenditure Criteria
By Friday, March 7, 2025	Transportation Authority Issues TFCA Call for Projects
Friday, April 18, 2025	TFCA Applications Due to the Transportation Authority
Wednesday, May 28, 2025	Community Advisory Committee Meeting – ACTION TFCA staff recommendations
Tuesday, June 10, 2025	Transportation Authority Board Meeting - PRELIMINARY ACTION TFCA staff recommendations
Tuesday, June 24, 2025	Transportation Authority Board Meeting – FINAL ACTION TFCA staff recommendations
Sept 2025 (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/events).



San Francisco Equity Priority Communities 2021

<https://www.sfcta.org/policies/equity-priority-communities>

- MTC 2021 Equity Priority Communities
- SFCTA 2021 supplemental Equity Priority Communities boundaries*
- Parks and Open Space

*Supplemental boundaries based on analysis conducted at block group-level, any block group meeting MTC's Equity Priority Community definition and contiguous with MTC identified census tracts are included.





RESOLUTION ADOPTING THE FISCAL YEAR 2025/26 TRANSPORTATION FUND FOR
CLEAN AIR LOCAL EXPENDITURE CRITERIA

WHEREAS, The Transportation Fund for Clean Air (TFCA) Program is funded by a \$4 vehicle registration fee collected by the California Department of Motor Vehicles in the nine-county Bay Area and forty percent of the revenues collected are available to each county on a return-to-source basis to implement strategies to improve air quality by reducing motor vehicle emissions; and

WHEREAS, The Transportation Authority is the designated Administering Agency for the San Francisco TFCA Program; and

WHEREAS, The passage of Assembly Bill 434 required that the designated Administering Agency annually adopt criteria establishing a set of priorities for expenditure of funds for certain types of projects; and

WHEREAS, Drawing on the agency's past experience as the Administering Agency for TFCA, Transportation Authority staff recommend adopting the attached draft Fiscal Year 2025/26 TFCA Local Expenditure Criteria which are the same as the prior year and are consistent with the Air District's TFCA guidance; and

WHEREAS, At its January 22, 2025 meeting, the Community Advisory Committee considered the staff recommendation and unanimously adopted a motion of support for its adoption; now, therefore, be it

RESOLVED, That the Executive Director is hereby authorized to communicate this information to all relevant agencies and interested parties.

Attachments:

1. Attachment 1 - TFCA FY 2024/25 Local Expenditure Criteria
2. Attachment 2 - San Francisco Equity Priority Communities Map

Enclosure:

1. Air District 40 Percent Fund Expenditure Plan Guidance for Fiscal Year Ending 2026