

EXHIBIT A

LOCAL COST-EFFECTIVENESS CMAQ POLICY

Summary

The Congestion Mitigation and Air Quality (CMAQ) program provides funding for transportation projects or programs that will contribute to attainment or maintenance of the national ambient air quality standards. The CMAQ program supports two important goals of the Department of Transportation: improving air quality and relieving congestion. SAFETEA-LU strengthens these goals by establishing priority consideration for cost-effective emission reduction and congestion mitigation activities. Exhibit A provides a summary of the policy for distributing at least 20% of the CMAQ funds to projects that meet a minimum cost-effectiveness threshold for emission reductions beginning in FY 2011. This policy will focus on achieving the most cost-effective emission reductions, while maintaining flexibility to meet local needs.

Estimates of Available Funds

Caltrans Programming provides apportionment estimates to all regions of the state. The FTIP is currently developed for a four-year programming cycle; with each new FTIP document, San Joaquin Council of Governments (SJCOG) will use the Caltrans estimate to develop the available CMAQ funds over the four-year period. SJCOG commits to dedicate at least 20% of the total funding for the four-year period of each FTIP as part of the local cost-effectiveness CMAQ policy. For example, if an agency is estimated to receive \$20 million over a four year period, it would allocate 20%, or \$4 million, of the CMAQ program to projects that meet a minimum cost-effectiveness.

The CMAQ allocation formula is currently based on population, ozone status, and carbon monoxide status. Revisions to the formula or updates to estimates may result in changes to available funds for the SJCOG CMAQ program; such updates will also affect the funds available for the local cost-effectiveness policy. CMAQ estimates may be revised at any time due to changes from Caltrans, Federal legislation, or classification of the air quality standards in the San Joaquin Valley.

Timeframe

The local cost-effectiveness CMAQ policy is scheduled to be implemented in FY 2011 because the current federally approved 2007 Federal Transportation Improvement Programs (FTIPs) have committed CMAQ funds through FY 2010 and in some cases, regional commitments through FY 2011. In addition, the current CMAQ programming assists in implementing approved local RACM (Amended 2003 PM-10 Plan) that are committed through 2010.

The San Joaquin Valley Air Basin is currently classified as a serious ozone nonattainment area with an attainment deadline of 2013. As part of the 2007 Ozone plan, the Air District is requesting an “extreme” classification, which would delay the attainment deadline until 2023. If approved and assuming no change to the current funding formula, the MPOs may continue to receive CMAQ funding through that time (2023). The local cost-effectiveness CMAQ policy may remain in effect through 2023; however, continuation of the policy will be reviewed on a regular basis per the Policy Review section below.

Local Allocation of Funds

New CMAQ guidance based on SAFETEA-LU was released by the Federal Highway Administration (FHWA) on October 31, 2006. The new legislation and guidance clarifies project eligibility, including advanced truck stop electrification systems and the purchase of diesel retrofits. SAFETEA-LU directs States and MPOs to give priority to diesel retrofits and to cost-effective congestion mitigation activities that provide air quality benefits. Though SAFETEA-LU establishes these investment priorities, it also retains State and local agencies' authority in project selection, meaning that changes to local procedures are not required by SAFETEA-LU. SJCOG has previously developed procedures for allocating CMAQ funds; the local cost-effectiveness CMAQ policy will be incorporated into existing procedures. Prioritization and funding of projects will continue to be based on criteria developed by SJCOG.

Cost-Effectiveness Threshold

Cost-effectiveness is a key component of providing funding to projects that improve air quality and reduce congestion. The cost-effectiveness of an air quality project is based on the amount of pollution it eliminates for each dollar spent. Policies that focus on cost-effectiveness will result in the largest emission reductions for the lowest cost. Cost-effectiveness can be based on total project costs, including capital investments and operating costs. However, for the purposes of this policy, cost-effectiveness is based on CMAQ funding dollars only.

In the state of California, the Air Resources Board (ARB) provides funding for air quality improvement projects through the Carl Moyer Program, which requires that heavy-duty vehicle projects meet a cost-effectiveness threshold. The San Joaquin Valley Air Pollution Control District (SJVAPCD) also uses cost-effectiveness thresholds for projects funded through the REMOVE II and Heavy-Duty Incentive Programs. However, there is currently no minimum cost-effectiveness established for the CMAQ program, and according to recent studies, the numbers vary widely across the country and by project type.

Prior to allocation of CMAQ funds for the local cost-effectiveness policy with each FTIP, the SJV MPOs in consultation with the interagency consultation (IAC) partners will develop the minimum cost-effectiveness threshold. While other criteria may be developed at the discretion of SJCOG, all projects funded by the 20% of CMAQ dollars related to the local cost-effectiveness CMAQ policy must meet that minimum threshold.

Expenditure of Funds under the Local Cost-Effectiveness Policy

SJCOG will make every effort to expend the minimum 20% funding for the cost-effective projects as soon as possible beginning in FY 2011. However, recognizing that there are additional issues related to project delivery and financial constraint, SJCOG will be allowed to meet the 20% funding over the course of the FTIP, beginning with the 2008 FTIP and each new FTIP thereafter. For example, if the four-year estimate is \$4 million, then the MPO could spend \$1 million per year over the four year FTIP cycle, \$4 million in one year, or other combination of funding.

Project eligibility will continue to be based on federal CMAQ guidance. MPOs can continue to fund projects within the local jurisdictions, or contribute funding to the SJVAPCD air quality grant incentive programs to meet their cost-effectiveness threshold requirements.

Emissions Estimates

CMAQ projects must demonstrate an air quality benefit, and the expected emissions reductions will continue to be estimated with the most recent methodology. As of 2007, the ARB “Methods to Find the Cost-Effectiveness of Funding Air Quality Projects” released in 2005 is the appropriate methodology. If necessary, interagency consultation will be used to reach agreement on the methodology for future estimates. Emission benefits and cost-effectiveness calculations will continue to be based on the applicable pollutants for the region, including nitrogen oxides (NO_x), volatile organic compounds (VOC), and particulate matter (PM).

Reporting Requirements

Tracking of the CMAQ policy will be achieved through several methods. MPOs must develop annual reports for Caltrans and FHWA that specify how CMAQ funds have been spent and the expected air quality benefits. This report is due by the first day of February following the end of the previous Federal fiscal year (September 30) and covers all CMAQ obligations for that fiscal year. As has been the practice of several MPOs, a copy of the CMAQ annual report will also be submitted to the Air District for information purposes. Each MPO will also post information related to the implementation of the local cost-effectiveness CMAQ policy on its website.

Policy Review

Due to changes in project costs and technology over time, the MPOs will revisit the minimum cost-effectiveness threshold, as well as policy feasibility, at least once every four years prior to FTIP development. A periodic review of the policy is necessary due to potential changes in federal transportation legislation, apportionments, and project eligibility. This policy will only affect 20% of the allocated federal CMAQ funds, and does not imply changes to other funding programs. Should future transportation legislation not include CMAQ funding, this policy will no longer be in effect.

Example Schedule

The following is an example schedule of the policy implementation and updates. This information is only representative of the general approach and specific schedules will be developed in the future (annual reports will continue to be prepared and submitted as required).

Summer 2007	Develop cost-effectiveness threshold through interagency consultation
Fall 2007	Identify funding available in the 2008 FTIP related to the 20% local cost-effectiveness policy
Spring 2008	Call for projects – Quantify, rank, and select CMAQ projects
Summer 2008	Approve 2008 FTIP
Summer 2011	Review policy feasibility. If policy is continued, proceed with following steps.
	Update cost-effectiveness threshold through interagency consultation
Fall 2011	Identify funding available in the 2012 FTIP related to the 20% local cost-effectiveness policy
Spring 2012	Call for projects – Quantify, rank, and select CMAQ projects
Summer 2012	Approve 2012 FTIP



RESOLUTION
SAN JOAQUIN COUNCIL OF GOVERNMENTS

R-08-03

**RESOLUTION TO ADOPT THE LOCAL COST-EFFECTIVENESS CONGESTION
MITIGATION AND AIR QUALITY (CMAQ) PROGRAM POLICY**

WHEREAS, the San Joaquin Council of Governments is a Regional Transportation Planning Agency and a Metropolitan Planning Organization, pursuant to State and Federal designation; and

WHEREAS, federal transportation legislation provides states and Metropolitan Planning Organizations funding from the Congestion Mitigation and Air Quality (CMAQ) program for their region; and

WHEREAS, the San Joaquin Valley Air District has been designated by the Governor of California as the regional air quality planning agency in San Joaquin Valley; and

WHEREAS, the San Joaquin Valley Air District has requested an Extreme classification for the eight-hour ozone nonattainment designation, which would extend the attainment date to 2023; and

WHEREAS, the Metropolitan Planning Organizations in the San Joaquin Valley participated in the development of the eight-hour ozone plan and are committed to improving air quality in the region; and

WHEREAS, the Metropolitan Planning Organizations in the San Joaquin Valley are committed to identify methods of improving funding programs that affect air quality; and

WHEREAS, the resolution and Exhibit A have been reviewed by San Joaquin Council of Governments advisory committees representing the technical and management staffs of the member agencies; representatives of other governmental agencies, including State and Federal; representatives of special interest groups; representatives of the private business sector; and residents of San Joaquin County; and

WHEREAS, the policy listed in Exhibit A only affects federal CMAQ funds and does not imply changes to other funding programs; and.

NOW, THEREFORE, BE IT RESOLVED, that San Joaquin Council of Governments commits to implement the local cost-effectiveness CMAQ policy listed in Exhibit A.

THEREFORE, BE IT FURTHER RESOLVED, that San Joaquin Council of Governments agrees to proceed with a good faith effort to implement the policy as scheduled and with the funding source identified. Recognizing, however, that the availability of necessary funding depends on the programs or processes of various state and federal agencies, the San Joaquin Council of Governments will consider modifications or removal of policies, as necessary. Should future transportation legislation not include CMAQ funding, the cost-effectiveness policy listed in Exhibit A will no longer be in effect.

THE FOREGOING RESOLUTION was passed and adopted by the San Joaquin Council of Governments this 26th day of July 2007.

AYES: Councilman Bestolarides, Stockton; Councilman Chapman, Stockton; Mayor Chavez, Stockton; Councilman Harris, Manteca; Mayor Haskin, Escalon; Councilman Hitchcock, Lodi, Supervisor Mow, San Joaquin County; Supervisor Ornellas, San Joaquin County; Vice Mayor Winn, Ripon; Mayor Sayles, Lathrop.

NOES:

ABSENT: Mayor Ives, Tracy; Supervisor Vogel, San Joaquin County.



VICTOR MOW
Chairman