THIS PRINT COVERS CALENDAR ITEM NO.: 11

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY

DIVISION: Transit

BRIEF DESCRIPTION:

Authorizing the San Francisco Municipal Transportation Agency (SFMTA) to pursue five one-year exemptions from the California Air Resources Board (CARB), covering bus procurements for calendar years 2027 through 2031, from the Innovative Clean Transit (ICT) zero-emission bus purchase requirements due to financial hardship associated with funding zero-emission buses and related infrastructure, including a letter from the SFMTA Board in support of SFMTA's current application for an exemption and authorizing the Chair or Vice Chair of the SFMTA Board of Directors to submit subsequent letters on behalf of the Board in support of annual exemption requests based on financial hardship.

SUMMARY:

- The SFMTA has operated a network of zero-emission vehicles for 85 years, is the greenest transit system in North America, and remains committed to transitioning to a 100 percent zero-emission fleet.
- The Agency is experiencing significant financial hardship, including funding shortfalls, escalating infrastructure costs, and projected operating deficits.
- The SFMTA lacks the funding and facility readiness required to support ICT-mandated zero-emission bus procurements without adversely affecting transit service, as evidenced by the recently adopted FY27-31 Capital Improvement Program.

ENCLOSURES:

1. SFMTAB Resolution
2. CARB Letter

APPROVALS: **DATE**

DIRECTOR ______________________ August 27, 2026

SECRETARY ______________________ August 27, 2026

ASSIGNED SFMTAB CALENDAR DATE: September 1, 2026

PURPOSE

Authorizing the San Francisco Municipal Transportation Agency (SFMTA) to pursue five one-year exemptions from the California Air Resources Board (CARB), covering bus procurements for calendar years 2027 through 2031, from the Innovative Clean Transit (ICT) zero-emission bus purchase requirements due to financial hardship associated with funding zero-emission buses and related infrastructure, including a letter from the SFMTA Board in support of SFMTA's current application for an exemption and authorizing the Chair or Vice Chair of the SFMTA Board of Directors to submit subsequent letters on behalf of the Board in support of annual exemption requests based on financial hardship.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This action supports the following Strategic Plan Goals:

Goal 5: Deliver reliable and equitable transportation services.
Goal 6: Eliminate pollution and greenhouse gas emissions by increasing use of transit, walking, and bicycling.
Goal 10: Position the agency for financial success.

This action also supports Transit First principles by helping maintain reliable transit service while the Agency advances its transition to a zero-emission fleet.

BACKGROUND

The SFMTA is committed to reducing transportation emissions, which will help to protect public health, meet federal air quality standards, and protect our climate. The SFMTA has operated a network of zero-emission vehicles (ZEV) for 85 years. The Agency consistently and proactively pursues and implements the latest in green transportation technologies. The transportation sector is the largest source of greenhouse gas (GHG) emissions in San Francisco, accounting for 44% citywide emissions. Of all transportation sector emissions, private cars and trucks make up the single largest source of GHG emissions citywide. Comparatively, only 1% of transportation GHG emissions are attributable to public transit as a whole and an even smaller number is attributable to the SFMTA’s fleet. The SFMTA operates the greenest transit system of any major city in North America.

Innovation in Clean Transit

Effective October 1, 2019, CARB’s ICT regulation requires California public transit agencies to gradually transition their bus fleets to zero-emission technologies, with a goal of achieving a 100 percent ZEB fleet by 2040. The regulation requires an increasing percentage of each agency’s annual new bus purchases to be ZEBs based on agency size. As a large transit agency, the SFMTA is subject to the following ZEB purchase requirements:

- Starting January 1, 2023, 25 percent of new bus purchases in each calendar year
- Starting January 1, 2026, 50 percent of new bus purchases in each calendar year
- Starting January 1, 2029, 100 percent of new bus purchases in each calendar year

The ICT regulation applies to all vehicles with a Gross Vehicle Weight Rating above 14,000 lbs. The regulation therefore applies to SFMTA motor coach purchases and certain vehicles in the paratransit fleet, such as large cutaways. Electric trolley buses are zero-emission vehicles, but they are not subject to the ICT purchase requirements in the same manner as new motor bus purchases and cannot be used as credit toward the ZEB purchase requirements.

The ICT regulation includes exemption provisions that allow a transit agency to request relief from the ZEB purchase requirements from the CARB Executive Officer when specified criteria are met. The request for exemption for a particular calendar year's compliance obligation must be submitted to the Executive Officer by November 30th of the calendar year.

The ICT regulation includes five exemption categories, with additional requirements for each:

1. Delay in bus delivery is caused by setback of construction of infrastructure needed for ZEBs.
2. When available ZEBs cannot meet a transit agency's daily mileage needs.
3. If available ZEBs do not have adequate gradeability performance to meet the transit agency's daily needs for any bus in its fleet.
4. When a required ZEB type for the applicable weight class based on gross vehicle weight rating is unavailable for purchase.
5. When a required ZEB type cannot be purchased by a transit agency due to financial hardship.

As discussed in further detail below, SFMTA is applying for an exemption under provision (5) financial hardship, which requires a letter from the MTA Board of Directors declaring the transit agency has, in good faith, applied for all available funding and financing options that could be used to offset the higher capital costs of zero-emission buses and associated infrastructure; documentation to show the transit agency has been denied financing, or financing options are not available; and documentation to show the transit agency cannot offset the higher incremental costs of available zero-emission buses. Pursuant to Section (5) (C) of the ICT regulation, CARB's Executive Officer will grant an exemption from the requirement to purchase ZEBs until the next bus purchase. Based on language in CARB's "Exemption Application for the Innovative Clean Transit Zero-Emission Bus Purchase Requirements Template 5: Financial Hardship," a three-year purchase plan is encouraged to facilitate CARB's review of future exemption requests.

SFMTA and Zero-Emission Vehicles

In 2023, the SFMTA Board of Directors amended its Zero-Emission Vehicle Policy Resolution (ZEV Policy) to align with CARB's ICT regulation timeline.

Since 2020, the SFMTA has developed a greater understanding of ZEV transition challenges and opportunities based on several projects and efforts and is incorporating these lessons into long-term transition plans, design, and implementation efforts. Below is a summary of the various efforts that SFMTA has made to meet the goals of both the CARB ICT regulation and its own ZEV Policy:

- In 2020, the SFMTA began a pilot program to evaluate battery-electric bus (BEB) performance, including handling San Francisco's hills and 20+ daily service hours, and manufacturers' ability to produce buses at scale and provide aftermarket and warranty support.
- In 2021, the SFMTA Board of Directors adopted the Zero-Emission Bus Rollout Plan (Rollout Plan) as a roadmap in pursuit of a full transition to ZEBs and infrastructure.
- In 2021, SFMTA published a Facility Power Needs and Technology Assessment as part of its Zero-Emission Facility and Fleet Transition Plan.
- Since February 2022, the SFMTA has assessed 12 BEBs from four bus manufacturers, providing the SFMTA with valuable experience operating and maintaining BEBs that will inform future procurement strategy.
- In 2022, the SFMTA updated its Zero-Emission Bus Rollout Plan to include revised estimates for fleet procurement and facilities update schedules.
- In 2024, the SFMTA published a Paratransit Electric Vehicle Study, which addresses the SFMTA's current paratransit fleet transition to battery-electric vehicles.
- In 2024, the SFMTA published an update to its Facilities Framework. The framework incorporates bus yard conversion and reconstruction projects to accommodate purchases of electric trolley buses and BEBs.
- In 2025, the SFMTA updated its Rollout Plan to add paratransit fleet and incorporate details from the 2024 Facilities Framework, which also estimated the costs of implementing the 2024 Facilities Framework and associated bus purchases.
- In 2025, the SFMTA signed agreements with three bus manufacturers for the procurement of an additional 18 BEBs, including the Agency's first 60-ft BEBs.

The SFMTA remains committed to the goal of a full transition to a zero-emission fleet. However, through the above activities, the Agency has learned that transition is dependent on several factors, including funding and timelines for the replacement of vehicles and facilities.

REQUESTED EXEMPTION

Approval of this action would allow the SFMTA to request five one-year exemptions from the California Air Resources Board (CARB), covering procurements for calendar years 2027 through 2031, from the Innovative Clean Transit (ICT) zero-emission bus purchase requirements due to financial hardship associated with funding zero-emission buses and related infrastructure, including a letter from the SFMTA Board in support of SFMTA's current application for an exemption and would authorize the Chair or Vice Chair of the SFMTA Board of Directors to submit subsequent letters on behalf of the Board for annual exemption requests based on financial hardship.

Although CARB grants exemptions on an annual basis, SFMTA staff seeks Board authority to pursue five consecutive one-year exemptions, if needed, given the multi-year nature of fleet and facility planning and the sustained financial hardship affecting the Agency's ability to comply during the 2027-2031 period. As explained below, the Agency is unable to meet the timeline required to build the infrastructure necessary to support electric vehicles and the necessary infrastructure. Submitting consecutive exemption requests also aligns with the SFMTA's planning framework, provides the predictability needed to effectively manage complex capital and fleet projects, and reduces administrative burden.

Due to specific documentation requirements, the SFMTA is not applying under the exemption provision for delays caused by setbacks in construction of infrastructure needed for ZEBs, although those infrastructure setbacks are an important factor supporting the Agency's request for a multi-year exemption.[1]

Fleet and Facilities Timelines

Because the SFMTA operates a large, multi-modal fleet of buses and paratransit vehicles, its procurement plans must be planned years in advance and shaped in accordance with the capabilities of its bus and paratransit facilities. Procurements must be scheduled to ensure that replacement vehicles are of the correct configuration (including bus propulsion type and vehicle length), are delivered in time to replace aging vehicles, and are compatible with their intended destination facilities.

Delivering a series of sequential bus yard projects to support the transition to an all zero-emission and paratransit fleet is ambitious, and currently infeasible due to funding shortages. Delays in facility electrification efforts necessitate the Agency re-evaluate schedules for both facility projects and associated bus procurements. Factors that influence these timelines, further detailed in the 2025 Rollout Plan, include rapid technological advancements and the risk of outdated procurements, evolving safety and environmental compliance requirements, fluctuating market conditions including supply chain constraints, and potential delays in critical utility upgrades caused by reliance on external providers. Recent SFMTA experience suggests years-long delays in obtaining electrical service and grid improvements required to accommodate BEBs from Pacific Gas & Electric (PG&E).

Further, facilities undergoing electrification must be partially or fully closed while work is performed. The closure of a single bus facility will have a significant impact on SFMTA transit operations, as the affected bus service must be distributed to other bus facilities. The SFMTA can only afford to overhaul facilities on a phased basis, converting one facility at a time to support zero-emission operations while maintaining existing service levels.

For example, Potrero Yard, which operates zero-emission electric trolley buses, needs modernization and safety improvements and closed earlier this year to be rebuilt by 2030. Expanding Potrero's capacity to store and maintain electric trolley buses is essential to enabling subsequent facility electrification projects. Without the Potrero Yard modernization and expansion, the SFMTA would lack the necessary space to relocate and maintain trolley buses,

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[1] This exemption requires a letter from "the licensed contractor performing the work, related utility, building department, or other organizations involved in the project" explaining the cause of the delay and estimating the project's completion date. Due to funding constraints, SFMTA has not advanced its facility electrification projects to a stage at which such documentation is available. Accordingly, SFMTA cannot reasonably pursue this exemption, even though infrastructure delivery challenges are an important factor supporting its request for a multi-year exemption.

preventing other facility electrification projects from moving forward. Currently, there is no conceivable path to fully electrifying any of the SFMTA's facilities prior to the conclusion of the Potrero facility rebuild.

The SFMTA is working to address challenges within its control for a full transition to a zero-emission fleet. This includes implementing pilot projects, updating its facility planning and advancing its related work to the extent funding is available, and pursuing all available funding opportunities.

Financial Hardship

The Agency is facing substantial financial challenges. At the beginning of the latest two-year budget process in June 2025, the annual operating deficits were projected to grow to $430 million by 2030. The approved two-year budget assumes revenue from two upcoming ballot measures, but closing future gaps will require reducing costs and identifying new revenue sources. The operating budget will not be able to support the funding required to transition to a zero-emission fleet. Without additional capital funding, electrification would require the diversion of limited resources from transit operations, adversely affecting service levels.

The CIP is a fiscally constrained, five-year plan outlining transportation projects the agency intends to deliver.

The CIP does not include the ZEB purchases and the major zero-emission charging infrastructure (aka facility electrification) projects needed to comply with ICT regulation. Funding is insufficient to both electrify and maintain the Agency's financial commitments to fund state of good repair projects.[2] Further, efforts to obtain additional outside funding to support facility electrification through competitive grant programs have been largely unsuccessful.

Since 2019, the SFMTA has submitted applications for $473 million in funding: eight applications to the Federal Transit Administration's (FTA) Buses and Bus Facilities and Low or No Emission grant programs for facility improvements and three applications to United States Department of Transportation's RAISE (now referred to as BUILD) program for facility improvements. The SFMTA received two awards for $79 million. However, the SFMTA was required to change the use of funds for these awards to be consistent with the current federal administration's priorities and preference for recipients to prioritize low-emissions projects over ZEV options. This includes the SFMTA's re-programming of a $30 million award for a facility electrification project to instead procure diesel-electric hybrid buses. See Table 5 before for a detailed breakdown of these applications.

Table 5. Applications by SFMTA to FTA and US DOT for Facility Improvements and Fleet Electrification ($ Millions)

Year	Project	Funding Program	Request	Award
2021	Islais Creek BEB Facility Upgrade	FTA Buses & Bus Facilities/Low-No	$15.5	$0.0

[2] A smaller facilities project would install the addition of up to six charging stations at Islais Creek for BEBs. These chargers would serve the six 60-ft BEBs planned for procurement over the next five years.

Year	Project	Funding Program	Request	Award
2022	Islais Creek BEB Facility Upgrade	FTA Buses & Bus Facilities/Low-No	$16.9	$0.0
2022	Kirkland BEB Facility Upgrade	FTA Buses & Bus Facilities/Low-No	$99.1	$0.0
2023	Woods & Islais Creek BEB Facility Upgrade[1]	FTA Buses & Bus Facilities/Low-No	$30.1	$30.1
2023	Kirkland BEB Facility Upgrade	FTA Buses & Bus Facilities/Low-No	$60.0	$0.0
2024	Potrero Yard Modernization	FTA Buses & Bus Facilities/Low-No	$115.0	$0.0
2024	Kirkland BEB Facility Upgrade	FTA Buses & Bus Facilities/Low-No	$70.5	$0.0
2025	40' Diesel-Electric Hybrid Buses	FTA Buses & Bus Facilities/Low-No	$39.8	$39.8
2023	Presidio Yard Reconstruction Planning	USDOT RAISE	$8.0	$0.0
2024	Presidio Yard Reconstruction Planning	USDOT RAISE	$9.2	$0.0
2025	Presidio Yard Reconstruction Planning	USDOT RAISE	$9.2	$9.2
		Sub-total, Facility Electrification Program	$433.5	$39.3
		Sub-total, Hybrid Buses	$39.8	$39.8
		Total All Awards FY21–FY25	$473.3	$79.1

1. *This grant award has since been reprogrammed to procurement of diesel-electric hybrid buses to meet current Federal Administration priorities around ZEBs and low-emission vehicles and retain these funds.*

As a result of changing federal priorities, some Bay Area transit agencies are reassessing project scopes to align with evolving federal guidance and maintain eligibility for awarded funds. Further, there is no guaranteed funding source for the Buses and Bus Facilities and Low or No Emission grant programs beyond September 30, 2026, as the federal legislation authorizing that funding expires. A reduction in these funding sources supporting zero-emission projects could impact a key capital funding source, and alternative funding pathways for zero-emission deployment remain uncertain.

Additionally, the SFMTA pursued $5 million in funding through the California Energy Commission's Innovative Charging Solutions for Medium- and Heavy-Duty Electric Vehicles for BEB Infrastructure at Woods. Although this application was ranked highest in California, the SFMTA ultimately had to withdraw due to conflicts in project timeline requirements.

Finally, pursuing financing options, such as a revenue bond, is not feasible at this time given the SFMTA's operating budget challenges. The Agency is incorporating joint development into its reconstruction projects wherever possible to maximize land use and generate revenue. However, any new on-going joint development revenue is at least ten years away given current market conditions and the time it takes to approve a project, for a developer to build the project, and for the project's occupancy to stabilize to generate revenue for the SFMTA. No other financing options are available during the next five years. Thus, the SFMTA has been unsuccessful in obtaining funds to offset the higher incremental costs of available ZEBs and associated infrastructure.

Five-Year Cost of Complying with ICT

Between 2027 and 2031, the total estimated costs of complying with the ICT regulation would be $452 million, consisting of $223 million in additional BEB procurement costs and $229 million in facility electrification costs. This is a lower-end estimate because it excludes the costs to electrify facilities for paratransit and excludes financing costs. Thus, the SFMTA is requesting authorization to seek five consecutive one-year exemptions from the ICT regulation to continue to procure diesel-electric hybrid buses (DEHBs).

Bus Purchases Between Calendar Year 2027 and 2031

Table 1 below presents the SFMTA's planned fixed route and paratransit fleet procurements for the next five years. Overall, the SFMTA will need to procure 132 40-ft DEHBs, 224 60-ft DEHBs, 22 large cutaway gasoline vehicles, and 78 small cutaway gasoline vehicles (not subject to ICT regulation).

Table 1. SFMTA's Planned Fleet Procurements (2027 Through 2031)

Procurement Year	Fixed Route Fleet		Paratransit Fleet	
	40' DEHB	60' DEHB	Large Cutaway, Gasoline	Small Cutaway, Gasoline (n/a)
2027	-	132	-	6
2028	104	23	-	20
2029	28	-	22	36
2030	-	69	-	-
2031	-	-	-	16
Total	**132**	**224**	**22**	**78**

Table 2 below presents the estimated cost of these vehicle procurements depending on whether they are DEHBs or gasoline vehicles or BEBs. SFMTA estimates it would cost an additional $223 million over current projected expenditure to buy electric buses instead of hybrid buses.

Table 2. Estimated Cost of 40-ft and 60-ft Bus Procurements by Propulsion Type (Cost in $ Millions)

Vehicle Type	Qty	BEB Cost	DHEB Cost	Cost Difference
40' Hybrid	132	$205	$157	**$48**
60' Hybrid	224	$599	$436	**$163**
Large Cutaway, Gasoline	22	$36	$24	**$12**
Total	**378**	**$840**	**$617**	**$223**

Total Facility Project Cost of Complying with ICT

The bus yard conversion and reconstruction projects that are needed for the full transition to a zero-emission fleet are large, complex, and expensive projects that include evolving technology and requirements. Based on the 2025 Rollout Plan, Table 3 below presents the estimated overall costs for facility upgrades and additions of battery-electric vehicle infrastructure that would be needed for the full transition to a zero-emission fleet over the next two decades, which totals $5.1 billion, of which $1.1 billion would be additional electrification costs. Of which $229 million, $117 for Kirkland Yard and $112 for Isais Creek Yard, would be required from 2027-2031.

The SFMTA anticipates that the paratransit infrastructure required for electrification would also add to the full electrification cost, but the Agency currently does not have a cost estimate for these figures.

Table 3. Estimated Cost of Facility Upgrades, Including Electrification Infrastructure (Cost in $ Millions)

Bus Facility	Estimated Year of Expenditure	Facility Infrastructure[a]		
		Electrification	Other Upgrades	Total[c]
Kirkland	2027	$117	$25	$142
Islais Creek	2030	$112	$0	$112
Potrero	N/A	$0	$1,397[b]	$1,397
Presidio	2033	$211	$844	$1,055
Flynn	2035	$336	$767	$1,103
Woods	2039	$318	$1,002	$1,320
Paratransit	TBD	TBD	TBD	TBD

Total	–	**$1,094**	**$4,035**	**$5,129**

a. Escalated to the midpoint of the assumed construction period. The cost estimates shown do not reflect financing structures similar to that used for Potrero. If such financing were used for other facility projects, total costs would be substantially higher.
b. Since the publication of the 2025 SFMTA Zero-Emission Rollout Plan, the SFMTA has reached a design, construction and financing agreement for the project at a cost of $1,397 million, which includes the total financing costs of the project.

Total Cost of Complying with ICT

Table 4 below presents the estimated total capital costs for two scenarios to fully comply with the ICT regulation as identified in the 2025 Zero-Emission Vehicle Rollout Plan.

- With Electrification Scenario: The SFMTA replaces its DEHBs with BEBs, continues to operate electric trolley buses and electrifies facilities as outlined in Table 3.
- Without Electrification Scenario: Follows the same bus replacement and facility upgrade schedule as the "With Electrification" scenario, but the SFMTA continues to procure and operate DEHBs and electric trolley buses and does not install electric vehicle infrastructure.

Table 4. Estimated Total Cost of Facility and Vehicle Projects, With and Without Electrification (Year of Expenditure, Cost in $ Millions)

Cost Component	Scenario: With Electrification	Scenario: Without Electrification	Cost of Electrification
Vehicles	$2,717	$2,148	$569
Facility Infrastructure	$5,129	$4,035	$1,094
Total	**$7,846**	**$6,183**	**$1,663**

Overall, the SFMTA estimates that it would need to spend at least an additional $1.663 billion to meet the requirements of the ICT regulation.

Justification for Five One-Year Exemption Requests

Like many transit agencies, the SFMTA typically engages in the procurement process for new buses at least a year in advance of issuing a purchase order. The procurement process involves developing technical specifications, obtaining quotes from manufacturers, and negotiating deviations as well as contractual terms and conditions. Without a plan to pursue five one-year exemptions, the SFMTA would need to decide on the types of bus to purchase prior to having received explicit approval from CARB for those buses. If the SFMTA does not receive approval for the proposed buses, then this effort would be for naught. It is also unclear whether our bus manufacturing partners would be willing to participate in the procurement process with the SFMTA for new buses without CARB's approval already in place.

At the same time, the SFMTA typically has five years of visibility regarding whether an associated facility will be ready to support those vehicles. Without a plan to pursue exemptions over the next five years, the SFMTA will be forced to keep its existing bus fleet in service past its useful life to remain in compliance with the ICT regulation. This would impact fleet reliability and service and ultimately drive up operating and maintenance costs.

For the reasons listed above, the SFMTA has concluded that it will need an exemption from the ICT regulation for at least five years.

STAKEHOLDER ENGAGEMENT

There were several major outreach efforts associated with the 2027-2031 CIP, as documented in April 21, 2026, staff report. During the SFMTA Board's CIP informational presentation on April 7, 2026, SFMTA staff referenced the forthcoming exemption request.

The SFMTA has also participated in other public engagement efforts that included discussion of ICT regulations. These include the Transit Transformation Task Force Final Report (December 2025), which the task force represented transit leadership and subject matter experts from State government, local agencies, academic institutions, nongovernmental organizations, labor and other transit stakeholders. One of the report's strategies was to: "Perform a comprehensive review of ICT requirements, potential solutions, and associated impacts focused on identifying strategies that help transit agencies meet zero-emission fleet mandates in a financially sustainable and operationally feasible way while maintaining reliable, high-quality service."

Transit, Streets, and Finance staff participated in the development of the exemption request and supporting documentation.

ALTERNATIVES CONSIDERED

Staff considered continuing procurement of ZEBs without the required infrastructure; however, staff determined that doing so without sufficient facility readiness and funding would adversely impact transit operations, fleet reliability, and service delivery.

FUNDING IMPACT

Approval of this item does not appropriate funding. The requested exemption is intended to provide the Agency additional time to secure funding and plan for facility electrification projects necessary to support future ZEB procurements.

ENVIRONMENTAL REVIEW

On July 29, 2026, the SFMTA, under authority delegated by the Planning Department, determined that the approval of the request for exemption from the ICT regulation is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the

California Code of Regulations Sections 15060(c) and 15378(b). A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The City Attorney’s Office has reviewed this calendar item.

RECOMMENDATION

Staff recommends that the SFMTA Board of Directors authorize the San Francisco Municipal Transportation Agency (SFMTA) to pursue five one-year exemptions from the California Air Resources Board (CARB), covering calendar years 2027 through 2031, from the Innovative Clean Transit (ICT) ZEB purchase requirements due to financial hardship associated with funding ZEBs and related infrastructure, including a letter from the SFMTA Board in support of SFMTA's current application for an exemption and authorizing the Chair or Vice Chair of the SFMTA Board of Directors to submit subsequent letters on behalf of the Board in support of annual exemption requests based on financial hardship.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. ___________________

WHEREAS, The California Air Resources Board (CARB) adopted the Innovative Clean Transit (ICT) regulation requiring public transit agencies to transition zero-emission bus fleets on December 14, 2018; and,

WHEREAS, The SFMTA remains committed to achieving a 100 percent zero-emission bus fleet by 2040 and has undertaken significant planning and pilot efforts to support that transition; and,

WHEREAS, Pursuant to Title 13 of the California Code of Regulations Section 2023.4(c)(5), transit agencies are authorized to request exemptions from the ICT annual zero-emission bus purchase requirements due to financial hardship; and,

WHEREAS, The Executive Officer of CARB will grant an exemption upon request if the specified criteria are met and if a request for exemption for a particular calendar year's compliance obligation is submitted by November 30th of that year; and CARB considers exemptions on an annual basis; and,

WHEREAS, Pursuant to Section (5) (C) of the ICT regulation, CARB's Executive Officer will grant an exemption from the requirement to purchase ZEBs until the next bus purchase; and based on language in CARB's "Exemption Application for the Innovative Clean Transit Zero-Emission Bus Purchase Requirements Template 5: Financial Hardship," a three-year purchase plan is encouraged to facilitate CARB's review of future exemption requests; and,

WHEREAS, The SFMTA is experiencing financial hardship associated with funding zero-emission buses and related infrastructure and has met the criteria for a financial hardship exemption as allowed under the ICT; and,

WHEREAS, The SFMTA has determined that compliance with the ICT zero-emission bus purchase requirements within the current timeframe may adversely affect transit service and fleet reliability; and,

WHEREAS, Authorizing the submission of five annual one-year exemption requests covering procurements planned for calendar years 2027 through 2031 will provide essential certainty for fleet procurement and enable timely vehicle replacement planning; and,

WHEREAS, On July 29, 2026, the SFMTA determined that the approval of the exemption request is not a project under CEQA pursuant to Title 14 California Code of Regulations Sections 15060(c) and 15378(b); now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the SFMTA to request from CARB five one-year exemptions from the ICT zero-emission bus purchase requirements, covering procurements from calendar years 2027 through 2031 due to financial hardship; and be it further

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Chair or Vice Chair of the SFMTA Board of Directors to submit a letter on behalf of the Board in support of annual exemption requests based on financial hardship.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of September 1, 2026.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Steven Cliff, Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814
Subject: Request for Exemption From Zero-Emission Bus Purchase Requirements Pursuant to the Innovative Clean Transit Regulation

The San Francisco Municipal Transportation Agency (SFMTA or Agency) applauds the California Air Resources Board's (CARB) leadership in developing programs designed to reduce transportation emissions which will protect public health, meet federal air quality standards, and protect our climate. The SFMTA is committed to achieving the same outcomes.

Notwithstanding the SFMTA's commitment to transitioning to a zero-emission bus fleet, the Agency respectfully submits this request for an annual exemption from the zero-emission bus (ZEB) purchase requirements pursuant to Title 13, California Code of Regulations, Section 2023.4(c)(5). This Provision allows transit agencies to request an exemption from the requirements set forth in section 2023.1(a) when the agency can demonstrate an inability to offset the incremental cost associated with the purchase of zero-emission buses and related infrastructure compared to conventional buses.

The SFMTA is a large public transit agency providing essential public transportation services to the City and County of San Francisco. The Agency remains committed to complying with the Innovative Clean Transit (ICT) regulation and continues to work toward the long-term goal of transitioning to a fully zero-emission bus (ZEB) fleet.

The SFMTA anticipates procuring a total of 378 buses over the period spanning calendar years 2027 through 2031. The capital costs of purchasing zero-emission buses and the associated infrastructure remain significantly higher than those of conventional buses for the calendar years 2027 through 2031. To offset these higher capital costs, the Agency has actively and in good faith applied for available funding that could be used to offset the higher capital costs of ZEBs and associated infrastructure but has been unsuccessful. Since 2019, the SFMTA has submitted eight applications to the FTA Buses and Bus Facilities program for vehicles and facility improvements and three applications to USDOT's RAISE program for facility improvements, for a total of $473 million in requested funding. Since 2019, of the $179M in grant applications submitted specifically for the battery-electric bus (BEB) Transition program, the SFMTA has received a total of $30,128,378 for BEB charging infrastructure. The MTA also applied for and received $40M for hybrid buses. Due to changes in Federal Administration's priorities, the SFMTA has reprogrammed the $30.1M federal grant to the procurement of hybrid buses, allowing the SFMTA to retain the funds and use them effectively.

The SFMTA's initial capital cost for electrification and facilities upgrades is estimated at $7.85 billion. This initial capital cost is estimated at $2.72 billion for buses, and $5.13 billion for associated infrastructure. This initial capital cost is $1.66 billion more than if the SFMTA were to purchase non-ZEBs and upgrade its facilities without zero-emission infrastructure. Over the next five years, the initial capital cost of procuring ZEBs and associated facilities infrastructure would be at least $1.07 billion, $452M higher than the cost of procuring diesel-electric hybrid buses.

The SFMTA Capital Improvement Program (CIP) is a fiscally constrained, five-year plan outlining transportation projects the agency intends to deliver. These projects are designed to enhance the safety, reliability, equity, and efficiency of San Francisco's transportation system for residents, workers, and visitors. The CIP is a living document and is updated every two years to reflect evolving needs, with technical adjustments made on an ongoing basis.

The CIP does not include the required ZEB purchases and the major zero-emission charging infrastructure (aka facility electrification) projects needed to comply with ICT regulation due to insufficient funding to meet the high costs of needed infrastructure while also maintaining the Agency's financial commitments to other high-priority state of good repair needs in the transit system. Additionally, pursuing financing options, such as a revenue bond, is not feasible at this time given the SFMTA's operating budget challenges.

Despite these efforts, the Agency remains unable to fully offset the incremental cost associated with procuring zero-emission buses compared to conventional buses. Proceeding with zero-emission bus procurements during calendar year 2027 through 2031 would therefore impose unsustainable fiscal pressure on the Agency and could jeopardize its ability to maintain existing service levels.

Accordingly, the SFMTA intends to submit exemption from the applicable zero-emission bus purchase requirements covering bus procurements for calendar years 2027 through 2031 due to financial hardship. The Agency acknowledges that CARB issues exemption approvals on an annual basis and commits to submitting an exemption request on annual basis, as needed.

The SFMTA remains firmly committed to achieving a 100 percent zero-emission fleet and will continue to collaborate with CARB, the California Energy Commission, PG&E, and regional partners to meet shared clean air and climate goals.

Thank you for your consideration of this request. Please contact Julie Kirschbaum, SFMTA Director of Transportation at julie.kirschbaum@sfmta.com with any questions or to discuss this matter further.

Sincerely,

[Signature]
Janet Tarlov, Chair
SFMTA Board of Directors