

FISCAL YEAR 2026-2027 TFCA FUNDING AGREEMENT
BETWEEN
THE CITY/COUNTY ASSOCIATION OF GOVERNMENTS
AND
THE CITY OF SAN CARLOS

This 2026-2027 TFCA Funding Agreement (Agreement), effective as of November 15, 2026 (Effective Date), is made and entered into between the City/County Association of Governments of San Mateo County or C/CAG, a joint powers agency hereinafter referred to as "Administering Agency," and the City of San Carlos, hereinafter referred to as "Project Sponsor".

SECTION I

RECITALS:

- 1) The Bay Area Air District, hereinafter referred to as "Air District," is authorized under California Health and Safety (Health & Safety) Code Sections 44223 and 44225 to levy a fee on motor vehicles registered within its jurisdiction (Motor Vehicle Fees), a portion of which the Air District receives and dedicates to its Transportation Fund for Clear Air (TFCA) program.
- 2) TFCA program monies may be allocated for projects to reduce air pollution from motor vehicles and to implement transportation control measures included in the plan adopted pursuant to Health and Safety Code Sections 40233, 40717, and 40919.
- 3) In accordance with Health and Safety Code Section 44241(d), the Air District allocates not less than forty (40) percent of the TFCA monies received to implement the Transportation Fund for Clean Air 40% Fund (also referred to as the County Program Manager program) (Program).
- 4) The Air District has been notified, in a communication dated July 29, 1992, that the Administering Agency is the duly authorized recipient of the proportionate share of Program monies for San Mateo County, and has been so designated by resolutions adopted by the San Mateo County Board of Supervisors and by the city councils of a majority of the cities representing a majority of the population in the incorporated area of the county. The terms and conditions for the expenditure of the County's Program monies by the Administering Agency are set forth in the resolution(s).
- 5) The role of the Administering Agency is to administer the TFCA 40% funds. This includes the preparation of an expenditure plan for approval by the C/CAG Board of Directors and the Air District Board of Directors, project sponsor oversight, preparation and submittal of the Funding Status and Final reports, and TFCA 40% fund audit support.
- 6) The Administering Agency and the Air District are parties to the Funding Agreement between the Bay Area Air Quality Management District and City/County Association of Governments of San Mateo County 27-SM, attached as Attachment C, which includes

requirements for Project Sponsor as a recipient of TFCA funds (referred to therein as Sub-awardees) and those requirements are incorporated herein by this reference.

- 7) On October 8, 2027, the C/CAG Board of Directors approved projects for TFCA funding, including the TFCA grant amount of up to \$328,007 to fund Project Sponsor's US 101/Holly St Interchange Improvements & Ped Overcrossing Project for Fiscal Year 2026-2027 as set forth in Attachment A and incorporated herein (hereinafter referred to as "Project").
- 8) The Administering Agency and Project Sponsor, pursuant to Health and Safety Code Section 44241, hereby enter into this Agreement to implement the Project to improve air quality in the San Francisco Bay Area Air Basin.

SECTION II

PROJECT SPONSOR AGREES:

- 1) To apply all funds received under this Agreement to the Project, consistent with the mutually agreed to terms and conditions contained in this Agreement.
- 2) To maintain, at all times during the term of this Agreement, a separate account or sub-ledger for all funds received under this Agreement and to withdraw funds from this separate account only for the reimbursement of costs to implement the Project.
- 3) To maintain, or cause to be maintained, adequate records to document and demonstrate to the Administering Agency, Air District staff and auditors the receipt and expenditures of TFCA funds.
- 4) To allow the Administering Agency, the Air District staff, its authorized representatives, and its independent auditors, during the term of this Agreement and for five (5) years from the end of the Project's Years of Effectiveness stated in the submitted Post-Project Cost-Effectiveness Worksheet to conduct performance and financial audits of the Project and to inspect the Project. During audits, Project Sponsor will make available to the Administering Agency, Air District staff, or to an independent auditor selected by the Air District all records relating to Project performance and expenses incurred in implementing the Project.
- 5) To keep all financial and Project implementation records necessary to demonstrate compliance with this Agreement and the Program. Such records include the reports required by the terms of this Agreement and those records required to demonstrate compliance with the terms of this Agreement. Such records shall include documentation that demonstrates significant progress made for the Project in the event Project Sponsor seeks extensions to the completion date. The Project Sponsor must keep such documents in a central location, for a period of five (5) years from the end of the Project's Years of Effectiveness.

- 6) To maintain employee time sheets documenting those hourly labor costs incurred in the implementation of the Project, which are paid with funds received under this Agreement, or to establish an alternative method to document staff costs charged to the Project.
- 7) All TFCA funds allocated to Project Sponsor will be distributed on a cost reimbursement basis, with a contract retention of fifteen percent (15%) pending submission of the final Project report, on the basis of documented legitimate expenditures for the intended purpose of the Project. Legitimate documented expenditures shall be defined as those described in Attachment B and incorporated herein. Costs will be reimbursed only up to the amount of the TFCA funds authorized by this Agreement. In no event shall the Administering Agency be required to provide any funding to the Project Sponsor under this Agreement unless such funds are first provided to the Administering Agency by the Air District. The Administering Agency will withhold payments in the event the Project Sponsor fails to comply with the requirements of this Agreement.
- 8) To keep necessary records of the performance of the Project in order to expedite evaluation of emissions reductions achieved from implementation of the Project.
- 9) To submit reports to the Administering Agency as follows:
 - a) Interim Project Report: The Project Sponsor must submit an annual interim project report to the Administering Agency within four (4) months of the end of each fiscal year which itemizes (a) the expenditure of the funds, (b) progress to date in the implementation of the Project, and (c) the results of the monitoring of the performance of the Project. The Administering Agency must submit the annual reports on Air District-approved report forms annually until the Project is completed.
 - b) Final Report: The Project Sponsor must submit a final report to the Administering Agency within four (4) months of the Project completion which itemizes (a) the expenditure of the funds, (b) the final results of the monitoring of the performance of the Project, and (c) the Post-Project Cost-Effective (C-E) Worksheet, showing actual expenditures and project results. The Administering Agency must submit the final report on Air District-approved report forms. The Administering Agency will retain fifteen percent (15%) of total TFCA funds until the final report is submitted.
- 10) To acknowledge the Air District as a Project funding source and, if applicable, use both the Air District's and C/CAG's approved logos for the TFCA Project implemented directly by the Project Sponsor under this Agreement, as specified below:
 - a) The logos must be used on signs posted at the site of any construction;
 - b) The logos must be displayed on any vehicles operated with or obtained as part of the Project;

- c) The logos must be used on any public information material relating to the Project, such as websites and printed materials, including transit schedules, brochures, handbooks, maps and other promotional materials; and
 - d) Project Sponsor must retain documentation (e.g., photographs, screenshots, copies of press releases) demonstrating Air District and C/CAG logos are used and displayed as required, to be provided upon request by the Administering Agency or the Air District.
- 11) To acknowledge the Air District as a funding source in any related articles, news releases or other publicity materials for the Project which are implemented directly by the Project Sponsor.
- 12) Prior to commencement of any work, Project Sponsor shall deliver to Administering Agency all insurance documentation, annual certificates and/or other evidence of the insurance coverage required below, verifying coverages. Project Sponsor shall obtain and maintain in full force and effect insurance as set forth below. All insurance specified below shall remain in force until all work or services to be performed are satisfactorily completed, and the work or services have been formally accepted. Project Sponsor must notify C/CAG if any of the required coverages listed below are non-renewed or cancelled. Failure to obtain and maintain the insurance coverage and to comply with all insurance requirements shall be deemed a breach of this Agreement.

The insurance requirements specified in this section shall cover Project Sponsor's own liability and the liability arising out of work or services performed under this Agreement by any subconsultants, subcontractors, suppliers, temporary workers, independent contractors, leased employees, or any other persons, firms or corporations that Project Sponsor authorizes to work under this Agreement (hereinafter referred to as "Agents.") Project Sponsor shall, at its own expense, obtain and maintain in effect at all times during the life of this Agreement the types of insurance indicated below against claims, damages and losses due to injuries to persons or damage to property or other losses that may arise in connection with the performance of work under this Agreement.

Project Sponsor is also required to assess the risks associated with work to be performed by Agents under subcontract and to include in every subcontract the requirement that the Agent maintain adequate insurance coverage with appropriate limits and endorsements to cover such risks. To the extent that an Agent does not procure and maintain such insurance coverage, Project Sponsor shall be responsible for said coverage and assume any and all costs and expenses that may be incurred in securing said coverage or in fulfilling Project Sponsor's indemnity obligation as to itself or any of its Agents in the absence of coverage.

- a) Liability insurance with a limit of not less than \$1,000,000 per occurrence. Such insurance shall be of the type usual and customary to the business of the Project Sponsor and to the operation of the vehicles, vessels, engines, or equipment operated by the Project Sponsor.

- b) Property insurance in an amount of not less than the insurable value of Project Sponsor's vehicles, vessels, engines or equipment funded under the Agreement and covering all risks of loss, damage or destruction of such vehicles, vessels, engines or equipment.
- 13) All funds received under this Agreement shall be expended only in accordance with all applicable provisions of the law for the Project that is implemented directly by the Project Sponsor.
- 14) To return to the Administering Agency all funds that are not expended in accordance with applicable provisions of law.
- 15) To the extent not otherwise prohibited by law, and to the extent required by the California Public Records Act (California Government Code section 7920.000 et seq.), to make available to the public any software, written documents, or other products developed with funds received through this Agreement.
- 16) If TFCA funds are used for the purchase of any vehicle(s), Project Sponsor must either obtain approval from the Administering Agency for alternative use of the vehicle(s) or return to the Administering Agency any funds realized from the sale of any vehicle(s) purchased with TFCA funds if such reuse or sale occurs within the industry standards for the useful life from the date of purchase of the vehicle(s). The amount of funds returned to the Administering Agency will be proportional to the percentage of TFCA funds originally used to purchase the vehicle(s).
- 17) Project Sponsor will complete the Project by November 15, 2031.
- 18) Project Sponsor must sign this Agreement within sixty (60) days after the Administering Agency has transmitted it to them in order to remain eligible for the granted TFCA funds. Administering Agency may grant a one-time extension of thirty (30) days to the Project Sponsor for just cause.
- 19) Unless authorized by the Administering Agency, if no status reports and/or reimbursement requests are received from the Project Sponsor within one (1) year from the date of execution of the Agreement the Project will be considered for cancellation and the funds reprogrammed.
- 20) Project Sponsor shall notify the Administering Agency immediately if the project is modified, delayed, or canceled in such a way that would affect TFCA fund eligibility or require partial fund return.
- 21) Project Sponsor shall maintain all project-related documentation in accordance with TFCA requirements, for a minimum of five years following completion of the Project Years of Effectiveness. Project files must contain all related documentation including copies of CARB executive orders, quotes, mileage logs, fuel usage (if cost-effectiveness

is based on fuel use), photographs of engines and frames that were required to be scrapped, and financial records, in order to document the funding of eligible and cost-effective projects. The record retention requirement can be satisfied with electronic files that are safely stored with data backup. All such documentation must be made available upon request by the Administering Agency or the Air District.

- 22) Project Sponsor agrees to comply with all applicable Air District TFCA County Program Manager Fund Policies and Guidelines, including the requirement that any changes to project scope, cost, or schedule must be submitted to and approved in advance by the Administering Agency.
- 23) Project Sponsor shall not use TFCA funds for activities or expenses that are not eligible under the TFCA County Program Manager Fund Policies, and shall be responsible for returning any funds found to have been expended inappropriately.
- 24) Project Sponsor shall cooperate with any performance or financial audits conducted by the Air District or its designated auditor, and shall respond to audit findings in a timely and complete manner.
- 25) To the extent applicable, Project Sponsor shall ensure any products provided under this Agreement comply with Web Content Accessibility Guidelines 2.0, levels A and AA, and otherwise meet the accessibility requirements set forth in California Government Code Sections 7405 and 11135, Section 202 of the federal Americans with Disabilities Act (42 U.S.C. § 12132), and Section 508 of the federal Rehabilitation Act (29 U.S.C. § 794d) and the regulations promulgated thereunder (36 C.F.R. Part 1194). For any work products provided in PDF format, the Project Sponsor shall also provide an electronic version in the original electronic format (for example, Microsoft Word or Adobe InDesign).

SECTION III

ADMINISTERING AGENCY AGREES:

- 1) To distribute TFCA funds allocated to the Project Sponsor only on a cost reimbursement basis, on the basis of documented legitimate expenditures for the intended purpose of the Project. Costs will be reimbursed only up to the amount of the TFCA funds authorized by this Agreement. In no event shall the Administering Agency be required to provide any funding to the Project Sponsor under this Agreement unless such funds are first provided to the Administering Agency by the Air District. The Administering Agency will retain fifteen percent (15%) of total TFCA grant amount until the final Project report is submitted. The Administering Agency will withhold payments in the event the Project Sponsor fails to comply with the requirements of this Agreement.
- 2) To reimburse Project costs incurred by Project Sponsor from the execution of this Agreement through November 15, 2031.
- 3) To provide timely notice prior to conducting an audit.

- 4) To provide the Project Sponsor, and any other requesting party, a copy of the fiscal and performance audits as specified in Section 44242 of the Health and Safety Code.
- 5) To provide the Project Sponsor with all Project Sponsor reporting forms required for the Project Sponsor to submit pursuant to this Agreement, including the Interim Project Report and Final Report required pursuant to Section II.8 above.

SECTION IV

IT IS MUTUALLY AGREED:

- 1) Term: This Agreement will remain in effect for three (3) years after the completion of the Project, unless it is terminated as provided below.
- 2) Termination: Either party may terminate this Agreement at any time by giving written notice of termination to the other party which shall specify the effective date thereof. Notice of termination under this paragraph shall be given at least ninety (90) days before the effective date of such termination. This Agreement will also terminate at the end of the fiscal year during which the City/County Association of Government loses designation as Administering Agency for San Mateo County.

In addition to the foregoing, Administering Agency may terminate this Agreement for cause. In order to terminate for cause, Administering Agency must first give Project Sponsor notice of the alleged breach. Project Sponsor shall have five (5) calendar days after receipt of such notice to respond, and a total of fifteen (15) calendar days after receipt of such notice to cure the alleged breach. If Project Sponsor fails to cure the breach within this period, Administering Agency may immediately terminate this Agreement without further action.

- 3) Hold Harmless/Indemnity: Project Sponsor shall indemnify and hold harmless the Air District, its employees, agents, representatives, and successors-in-interest against any and all liability, loss, expense, including reasonable attorneys' fees, or claims for injury or damages arising out of the Project Sponsor's performance of the Project or operation or use of the equipment that is subject to this Agreement. Project Sponsor shall also indemnify and hold harmless the Administering Agency, its employees, agents, representatives, and successors-in-interest against any and all liability, loss, expense, including reasonable attorneys' fees, or claims for injury or damages arising out of the Project Sponsor's performance of the Project or operation or use of the equipment that is subject to this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following: (A) injuries to or death of any person, including the Project Sponsor and its employees/officers/agents; (B) damage to any property of any kind whatsoever and to whomsoever belonging; (C) any sanctions, penalties, or claims of damages resulting from the Project Sponsor's failure to comply, if applicable, with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended; or (D) any

other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of the Administering Agency and/or its officers, agents, employees, or servants. However, the Project Sponsor's duty to indemnify and save harmless under this Section shall not apply to injuries or damage for which the Administering Agency has been found in a court of competent jurisdiction to be liable by reason of its own negligence or willful misconduct. The duty of the Project Sponsor to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code. In the event that, for any reason other than Administering Agency's sole misconduct, the Air District seeks return of funds already distributed to the Project Sponsor pursuant to this Agreement, the Project Sponsor shall indemnify and reimburse the Administering Agency in the amount the Administering Agency is required to return to the Air District under the funding Agreement between the Administering Agency and the Air District.

This indemnification provision will survive termination or expiration of this Agreement.

- 4) Notices: Any notice which may be required under this Agreement shall be in writing, shall be effective when received, and shall be given by personal service, by U.S. Postal Service mail, by certified mail (return receipt requested) or by email, to the address set forth below, or to such addresses which may be specified in writing to the parties hereto.

Hanieh Houshmandi, Senior Traffic Engineer
City of San Carlos
hhoushmandi@cityofsancarlos.org

Kaki Cheung, Interim Executive Director
City/County Association of Governments
555 County Center, 5th Floor
Redwood City, CA 94063
kcheung1@smcgov.org

- 5) Additional Acts and Documents: Each party agrees to do all things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.
- 6) Integration: This Agreement represents the entire agreement of the parties with respect to the funds initially allocated to be spent in FY 2026-2027 described in this Agreement, and no representation, warranties, inducements or oral agreements have been made by any of the parties except as expressly set forth herein, or in other contemporaneous written agreements.
- 7) Amendment: This Agreement may not be changed, modified or rescinded except in writing, signed by all parties hereto, and any attempt at oral modification of the Agreement shall be void and of no effect. Any change in the project scope shall constitute an amendment under this Agreement.

- 8) Independent Contractor: Project Sponsor renders its services under this Agreement as an independent contractor. None of the Project Sponsor's agents or employees shall be agents or employees of the Administering Agency. This paragraph does not apply to elected officials serving concurrently on the governing boards of the Project Sponsor, Administering Agency or the Air District.
- 9) Assignment: This Agreement may not be assigned, transferred, hypothecated, or pledged by any party without express written consent of the other party.
- 10) Severability: Should any part of this Agreement be declared unconstitutional, invalid, or beyond the authority of either party to enter into or carry out, such decision shall not affect the validity of the remainder of this Agreement which shall continue in full force and effect; provided that, the remainder of this Agreement can, absent the excised portion, reasonably be interpreted to reflect the intentions of the parties.
- 11) Force Majeure: Neither the Project Sponsor nor the Administering Agency shall be liable or deemed to be in default for any delay or failure in performance under this Agreement or interruption of services, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, strikes, labor disputes, shortages of suitable parts, materials, labor or transportation, or any similar cause beyond the reasonable control of the Project Sponsor or Administering Agency.
- 12) Governing Law: This Agreement shall be construed and interpreted, and the legal relations created thereby shall be determined in accordance with the laws of the State of California. Litigation arising out of or connected with this Agreement shall be instituted and maintained in the courts of San Mateo County in the State of California or in the United States District Court, Northern District of California, San Francisco/Oakland Division, California, and the parties consent to jurisdiction over their person and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.

IN WITNESS WHEREOF, Project Sponsor and Administering Agency have entered into this Fiscal Year 2026-2027 TFCA Funding Agreement as of the Effective Date set forth above.

FOR PROJECT SPONSOR:

FOR ADMINISTERING AGENCY:

By:_____

By:_____

Hanieh Houshmandi, Senior Traffic Engineer
City of San Carlos

*Kaki Cheung, Interim Executive Director
City/County Association of Governments of
San Mateo County*

Approved as to form:

Approved as to form:

By: _____

Legal Counsel

By: _____

*Melissa Andrikopoulos
C/CAG Legal Counsel*

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ATTACHMENT A

PROJECT TITLE PROJECT INFORMATION FORM

- A. Project Number: 27SM05
- B. Project Title: U.S. 101 / Holly Street Interchange Improvements and Pedestrian Overcrossing Project
- C. TFCA Program Manager Funds Allocated: \$328,007
- D. TFCA Regional Funds Awarded (if applicable): n/a
- E. Total TFCA Funds Allocated: \$328,007
- F. Total Project Cost: \$ 116,673,000
- G. Project Description:
- The Project is located at the U.S. 101 / Holly Street interchange in the City of San Carlos, California. The Project includes Holly Street from Industrial Road to Airport Way over U.S. 101 and the interchange on- and off-ramps.
- At the US101/Holly St interchange, this project will construct new ped/bike overcrossing of US101 and reconfigure on/off-ramps from full cloverleaf to partial cloverleaf. Upgrade intersections and signals, enhance ped/bike facilities along Holly St, and improve lighting.
- H. Final Report Content: Final Report form and final Cost Effectiveness Worksheet
[Final Report Form 1, Trip Reduction](#)

ATTACHMENT B

GUIDELINES FOR ELIGIBLE TFCA REIMBURSABLE COSTS

The Transportation Fund for Clean Air (TFCA) enabling legislation allows the vehicle registration fees collected for the program to be used for project implementation costs, as well as administrative project costs. This attachment provides guidance on differentiating and reporting these costs. The Air District will use the definitions and interpretations discussed below in the financial accounting of the TFCA program. The Air District conducts audits on TFCA-funded projects to ensure that the funds have been spent in accordance with the program guidelines and policies.

Project Implementation Costs

Project implementation costs are charges associated with implementing a TFCA-funded project including:

- Documented hourly labor charges (salaries, wages, and benefits) directly and solely related to implementation of the TFCA project,
- Capital costs,
- Capital equipment installation costs,
- Equipment maintenance costs,
- Shuttle driver labor costs,
- Labor costs related to capital purchases,
- Operator or personnel training directly related to project implementation,
- Contractor labor charges related to the TFCA project, and
- Travel and training costs only if these costs are directly related to the implementation of the TFCA-funded project (e.g., the cost of training mechanics to service TFCA-funded natural gas clean air vehicles).

The Project Sponsor may seek reimbursement for these costs by providing proper documentation with project invoices. Such documentation must show how the project implementation costs were calculated, for example, by listing the date when the hours were worked, employee job title, employee hourly pay rates, tasks, and total charges. Documentation of hourly charges may be provided with time sheets or any other generally accepted accounting method to allocate and document staff time.

ATTACHMENT C

FUNDING AGREEMENT BETWEEN THE BAY AREA AIR QUALITY MANAGEMENT DISTRICT AND CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY 27-SM

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ATTACHMENT D

TRANSPORTATION FUND FOR CLEAN AIR 40% FUND EXPENDITURE PLAN GUIDANCE COMMENCING FISCAL YEAR ENDING 2027

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