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SACRAMENTO REGIONAL TRANSIT

STAFF REPORT

DATE:	November 9, 2026
TO:	Sacramento Regional Transit Board of Directors
FROM:	Laura Ham, Senior VP, Planning, Grants and Procurement
SUBJ:	APPROVING A GOOD-FAITH FUNDING LETTER AND AUTHORIZING SUBMISSION OF EXEMPTION REQUESTS FROM THE INNOVATIVE CLEAN TRANSIT ZERO-EMISSION BUS PURCHASE REQUIREMENTS

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

The recommended action would approve the Board Good-Faith Funding Letter (Exhibit A) and authorize the Chair to sign it, as required to support SacRT's financial hardship exemption request to the California Air Resources Board (CARB) under the Innovative Clean Transit (ICT) zero-emission bus (ZEB) purchase requirements. The action would also authorize the General Manager/CEO or designee to submit the exemption request for calendar year 2026 and subsequent annual requests for calendar years 2027 and 2028, as necessary. The same Good-Faith Funding Letter would support these annual requests, provided SacRT's funding conditions and financial circumstances remain unchanged throughout this period.

FISCAL IMPACT

There is no direct fiscal impact associated with the recommended action. SacRT plans to replace at least 78 heavy-duty Compressed Natural Gas (CNG) transit buses that have reached or will reach their useful life benchmarks during calendar years 2026–2028. Under the ICT Regulation, 50 percent of SacRT's new bus purchases would be required to be zero-emission, resulting in significant additional costs for SacRT.

If approved by CARB, the exemption would allow SacRT to purchase replacement CNG buses without being subject to the ICT zero-emission bus purchase requirements for calendar year 2026. Exemptions for calendar years 2027 and 2028 would be subject to separate annual requests and CARB approval.

The purchase of 78 replacement CNG buses is included in SacRT's adopted FY 2027 Capital Budget.

DISCUSSION

ICT Regulation and SacRT's 2026 Requirement

CARB adopted the ICT regulation in December 2018, requiring California public transit agencies to transition to 100 percent zero-emission bus fleets by 2040 through a phased schedule of ZEB purchase requirements. Beginning in 2026, large transit agencies such as SacRT must make 50 percent of their new bus purchases zero-emission, and small transit agencies become subject to a 25 percent requirement for the first time. The requirement rises to 100 percent in 2029.

The regulation allows a transit agency to request an annual exemption from the ZEB purchase requirements under certain conditions, including financial hardship due to an inability to offset the incremental costs of purchasing ZEBs and associated infrastructure. Exemption requests must be submitted to CARB by November 30 of the applicable compliance year. Under the financial hardship provisions, CARB requires a letter from the transit agency's governing body declaring that the agency has, in good faith, applied for all available funding and financing options to offset these costs.

For transit agencies planning multi-year bus purchases for calendar years 2026 through 2028, CARB permits a single governing body letter to support annual exemption requests, provided the agency's funding conditions and financial circumstances remain unchanged throughout this period. The proposed Board Good-Faith Funding Letter is attached to this report for approval.

Basis for the Exemption Request

SacRT is seeking an exemption under Condition 2 of the ICT Regulation's financial hardship provisions, based on its inability to offset the incremental costs of purchasing ZEBs and associated infrastructure.

SacRT has made investments in zero-emission technology and undertaken planning efforts to support its transition under the ICT Regulation. Between 2019 and 2021, SacRT purchased 18 battery-electric buses (BEBs) and installed associated charging infrastructure. The Board adopted SacRT's Zero-Emission Bus Rollout Plan in October 2020 and its Zero-Emission Vehicle Phase II Plan in February 2022. In 2023, SacRT completed a Battery-Electric Bus Feasibility Study to assess vehicle technology, operational requirements, charging infrastructure, and facility needs. SacRT has also evaluated hydrogen fuel cell electric buses (FCEBs) as an alternative zero-emission technology.

Despite these efforts, SacRT faces significant infrastructure and regulatory challenges that have affected its zero-emission transition plans. In November 2024, Caltrans imposed restrictions on electric bus storage and charging beneath or adjacent to highway structures due to fire safety concerns, affecting potential charging locations identified in SacRT's 2023 Battery-Electric Bus Feasibility Study. These restrictions also limit charging capacity at SacRT's Downtown Garage (BMF-1) and could require the relocation of approximately 50 buses. In addition, SacRT's existing maintenance facilities were designed primarily for CNG operations and would require substantial modifications and regulatory approvals to accommodate a zero-emission fleet.

In response to these challenges, SacRT is pursuing FCEBs as an alternative zero-emission technology, with plans to convert McClellan Garage (BMF-2) to support hydrogen fueling and maintenance operations. This approach requires substantial additional capital investment. Based on SacRT's planned purchase of 49 buses in 2026 and 29 buses in 2027, an estimated 40 ZEBs would be required absent an approved exemption. Using CARB's 2026–2027 cost benchmarks, the incremental cost of purchasing FCEBs instead of CNG buses is estimated at $972,000 per bus, resulting in $38.88 million in additional bus purchase costs. Including an estimated $11 million for hydrogen fueling infrastructure, the total incremental capital cost would be approximately $49.88 million for 2026–2027, with an additional $300,000 in estimated annual station maintenance costs. These estimates do not include potential additional bus purchases in 2028. These substantial costs would impose a significant financial burden on SacRT.

SacRT has actively pursued federal, state, and regional funding to support its zero-emission transition through the following efforts:

- **Funding Secured for Zero-Emission Bus Initiatives.** SacRT has secured approximately $23 million in state and local funding for ZEB purchases and associated infrastructure, including funding through Senate Bill 125 (SB 125), the California Energy Commission's Energy Infrastructure Incentives for Zero-Emission Commercial Vehicles (EnergIIZE) program, the Sacramento Metropolitan Air Quality Management District's Low-Emission Vehicle Incentive Program (LEVIP), and the Sacramento Area Council of Governments' State Transportation Improvement Program (STIP).

- **Funding for Replacement CNG Buses.** SacRT has secured approximately $62.5 million through the Federal Transit Administration's (FTA) FFY2024 and FFY2025 Low or No Emission (Low-No) Program grants, along with approximately $15.6 million in local matching funds, to support the procurement of 78 replacement CNG buses. The Low-No funding is designated for CNG bus purchases and associated project activities rather than ZEB procurement. On August 24, 2026, the Board approved the purchase of 49 replacement CNG buses from Gillig LLC to address immediate fleet replacement needs and maintain reliable transit service.

- **Remaining Funding Needs**. Despite these efforts, SacRT has not secured sufficient funding to meet the ICT ZEB purchase requirements for calendar years 2026–2028. SacRT's existing facilities lack hydrogen fueling infrastructure, and no existing shared hydrogen fueling station in the region can accommodate SacRT's transit fleet. Additional funding is needed to procure ZEBs and develop the associated fueling and maintenance infrastructure.

- **Ongoing Efforts to Close the Funding Gap.** SacRT continues to pursue additional funding to support its zero-emission transition. Most recently, SacRT submitted an application requesting $58 million under the Transit and Intercity Rail Capital Program (TIRCP) Cycle 8, supported by $23 million in secured matching funds and $6.6 million in proposed Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) incentives. The TIRCP award announcement is expected in November 2026. If fully awarded, these funds would complete the funding plan for the procurement of 21 FCEBs and ZEB fueling and maintenance

infrastructure at BMF-2, with infrastructure construction anticipated to be completed by the end of 2029 and the FCEBs expected to enter service in 2030. These funds and incentives remain prospective until awards are confirmed.

These funding efforts demonstrate SacRT's good-faith pursuit of available funding to offset the incremental costs of ZEB purchases and associated infrastructure. However, the funding secured to date remains insufficient to meet the ICT purchase requirements within the required timeframe, while SacRT must continue replacing aging buses to maintain safe and reliable transit service.

Path to Compliance

SacRT remains committed to transitioning to a 100 percent zero-emission bus fleet by 2040 in accordance with the ICT Regulation. The agency continues to advance its zero-emission initiatives, including the planned development of hydrogen fueling and maintenance infrastructure at BMF-2 and the procurement of hydrogen fuel cell buses as funding becomes available.

The requested exemption would allow SacRT to continue replacing aging buses to maintain safe and reliable transit service while pursuing additional funding and developing the infrastructure necessary to support its zero-emission fleet, subject to CARB's approval of the applicable annual exemption requests.

Next Steps

Upon Board approval, staff will submit SacRT's financial hardship exemption request and supporting documentation to CARB by November 30, 2026. Staff will also continue pursuing funding opportunities to support ZEB purchases and associated infrastructure.

SacRT may submit subsequent annual exemption requests for calendar years 2027 and 2028, as necessary, in accordance with CARB's requirements. The same Board-approved Good-Faith Funding Letter would be used to support these requests, provided SacRT's funding conditions and financial circumstances remain unchanged throughout this period.

RESOLUTION NO. 2026-11-131

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

November 9, 2026

APPROVING A GOOD-FAITH FUNDING LETTER AND AUTHORIZING SUBMISSION OF EXEMPTION REQUESTS FROM THE INNOVATIVE CLEAN TRANSIT ZERO-EMISSION BUS PURCHASE REQUIREMENTS

WHEREAS, the California Air Resources Board (CARB) adopted the Innovative Clean Transit (ICT) Regulation, which establishes zero-emission bus (ZEB) purchase requirements for public transit agencies; and

WHEREAS, the ICT Regulation, pursuant to Title 13 of the California Code of Regulations, Section 2023.4(c)(5)(B), allows transit agencies to request annual exemptions from the ZEB purchase requirements under certain conditions, including financial hardship due to an inability to offset the incremental costs of purchasing ZEBs and associated infrastructure; and

WHEREAS, the Sacramento Regional Transit District (SacRT) has pursued available funding opportunities to support its transition to ZEB but has not secured sufficient funding to offset the incremental costs of purchasing ZEBs and developing the necessary infrastructure; and

WHEREAS, SacRT seeks to submit an exemption request for calendar year 2026 and subsequent annual exemption requests for calendar years 2027 and 2028, as necessary, under the financial hardship provisions of the ICT Regulation; and

WHEREAS, as part of the exemption application, CARB requires a letter from the transit agency's governing body declaring that the agency has, in good faith, applied for all available funding and financing options to offset the higher capital costs of ZEBs and associated infrastructure; and

WHEREAS, CARB permits transit agencies planning multi-year bus purchases for calendar years 2026 through 2028 to submit a single governing body letter to support annual exemption requests, provided the transit agency’s funding conditions and financial circumstances remain unchanged throughout this period.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby approves the Good-Faith Funding Letter, attached hereto as Exhibit A, declaring that SacRT has, in good faith, applied for all available funding and

financing options to offset the incremental cost of ZEBs and associated infrastructure, and authorizes the Chair to sign said letter.

THAT, the General Manager/CEO or designee is hereby authorized to submit to CARB a financial hardship exemption request from the ICT zero-emission bus purchase requirements for calendar year 2026 and subsequent annual exemption requests for calendar years 2027 and 2028, as necessary, in accordance with CARB's requirements. The same Good-Faith Funding Letter would be used to support these subsequent requests, provided SacRT's funding conditions and financial circumstances remain unchanged throughout this period.

_____
BOBBIE SINGH-ALLEN, Chair

A T T E S T:

HENRY LI, Secretary

By:_____
Tabetha Smith, Assistant Secretary

SACRAMENTO REGIONAL TRANSIT
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Exhibit A

November 9, 2026

Steven S. Cliff, Ph.D.
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814
Via email: ICT@arb.ca.gov

Subject: Board Good-Faith Funding Declaration in Support of ICT Financial Hardship Exemption Requests, Calendar Years 2026–2028

Dear Dr. Cliff:

On behalf of the Sacramento Regional Transit District (SacRT) Board of Directors, I submit this Good-Faith Funding Letter in support of SacRT's request for an exemption from the Innovative Clean Transit (ICT) zero-emission bus (ZEB) purchase requirements due to financial hardship pursuant to 13 CCR § 2023.4(c)(5)(B) for calendar year 2026 and subsequent annual exemption requests for calendar years 2027 and 2028, as necessary.

SacRT provides public transit service throughout Sacramento County and remains committed to complying with the ICT Regulation and transitioning to a 100 percent zero-emission bus fleet by 2040. The Board declares that SacRT has, in good faith, applied for all available funding and financing options to offset the higher capital costs of purchasing ZEBs and the associated infrastructure.

SacRT plans to replace at least 78 aging heavy-duty compressed natural gas (CNG) transit buses over calendar years 2026–2028, including 49 buses in 2026 and 29 in 2027. As a large transit agency, SacRT is required to make 50 percent of its new bus purchases zero-emission during this period, pursuant to 13 CCR § 2023.1(a)(1)(A)2. Approximately 40 of the planned replacement buses would be required to be ZEBs absent an approved exemption. As concluded in Phase 2 of CARB's Comprehensive Review of the ICT Regulation, ZEBs and associated infrastructure remain significantly more expensive than conventional buses during calendar years 2026–2028.

To date, SacRT has secured approximately $23 million in state and local funding for ZEB purchases and associated infrastructure, including funding through Senate Bill 125 (SB 125), the California Energy Commission's Energy Infrastructure Incentives for Zero-Emission Commercial Vehicles (EnergIIZE) program, the Sacramento Metropolitan Air Quality Management District's Low-Emission Vehicle Incentive Program (LEVIP), and the Sacramento Area Council of Governments' State Transportation Improvement Program (STIP).

SacRT continues to pursue additional funding opportunities to support its ZEB transition. Most recently, SacRT applied for $58 million through the Transit and Intercity Rail Capital Program (TIRCP) Cycle 8, supported by the $23 million in secured matching funds and $6.6 million in proposed Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) incentives. The TIRCP award announcement is expected in November 2026. If fully awarded, these funds would complete the funding plan for the procurement of 21 FCEBs and ZEB fueling and maintenance infrastructure at McClellan Bus Maintenance Facility (BMF-2), with infrastructure construction anticipated to be completed by the end of 2029 and the FCEBs expected to enter service in 2030. The requested TIRCP funding and proposed HVIP incentives remain prospective until awards are confirmed.

Despite these funding efforts, SacRT has not secured sufficient funding to meet the ICT ZEB purchase requirements for calendar years 2026–2028. Based on CARB's 2026–2027 cost benchmarks, the estimated incremental capital cost of purchasing 40 FCEBs and constructing the required hydrogen fueling infrastructure is approximately $49.88 million for SacRT's planned 2026 and 2027 purchases, excluding long-term hydrogen station maintenance costs and any additional purchases in 2028.

Financing is not an allowable or approved practice for SacRT bus procurements, as debt service obligations would place additional pressure on SacRT's operating budget. Proceeding with ZEB purchases in 2026–2028 without sufficient funding would impose significant financial burdens and could jeopardize SacRT’s ability to maintain existing service levels.

Accordingly, the Board respectfully requests that CARB approve SacRT's financial hardship exemption request for calendar year 2026. This Board-approved Good-Faith Funding Letter also supports separate annual exemption requests for calendar years 2027 and 2028, as necessary, provided SacRT's funding conditions and financial circumstances remain unchanged throughout this period. SacRT acknowledges that CARB reviews and approves exemptions annually and will notify CARB of any changes in its funding conditions or financial circumstances and provide the required annual updates to its bus purchase plan.

Sincerely,

Bobbie Singh-Allen
Chair, Board of Directors
Sacramento Regional Transit District
Approved by SacRT Board Resolution No. 2026-11-131, adopted November 9, 2026