Clean Mobility Options
Voucher Pilot Program
Financial Sustainability Strategies
and Funding Sources
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Clean Mobility Options

California Climate Investments
Cap and Trade Dollars at Work

Prepared by
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Program Support

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Introduction

The Clean Mobility Options Voucher Pilot Program (CMO) provides communities with voucher-based funding for zero-emission transportation services.[1] CMO is part of California Climate Investments (CCI), a statewide initiative that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment—particularly in underserved communities.

Voucher funding can be used over three years—up to one year for preparation (e.g. planning and construction) and then the first two years of operation.[2] However, that funding covers only part of what is needed to operate beyond two years and to meet the CMO funding requirement of running for at least four years in total. By the end of the second year, the project must have additional resources to cover expenses from operations, maintenance, outreach, marketing, and other overhead costs.[3]

This resource uses examples from the CMO Project Design Guide to help applicants better understand and fill out the "financial sustainability" section of the Mobility Project Voucher Application. This includes funding strategies that can be built into and after the first four years of operations, various types of community resources the project will utilize, and contingency plans to ensure vehicles and equipment continue to serve the community if the service discontinues.[4] For greater detail on eligibility criteria, application, voucher process, and overall requirements, see the CMO Implementation Manual.

Tip #1: Think Broadly about Community Needs

CMO requires that users pay directly for the services provided in a "business-to-consumer" model, even if at very modest levels that protect affordability. Therefore, the first financial sustainability tip in the CMO Project Design Guide is to conduct a thorough Community Transportation Needs Assessment in order to learn about local transportation needs and preferences and design a context-appropriate mobility service(s) that will attract and retain users. In business terms, this process helps ensure your project has a strong "value proposition" and that the service can generate revenue from users to supplement initial voucher funding.

[1] See Section E.5 of the *CMO Implementation Manual* for Eligible Project Costs
[2] See Section F.3 of the *CMO Implementation Manual* for Voucher Agreement Timeline
[3] For Eligible Project Costs, see Section E.5 of the CMO Implementation Manual
[4] See questions 21 – 26 of Project Voucher Application

Once this demand is identified, implementers can further refine the design of their projects in response (see 'Tip #2' below for designing user fees and identifying other revenue sources).

Lastly, once services begin operating, project implementers should consider using key performance indicators (KPIs) such as "cost per ride" and "riders per vehicle" to understand market demand and improve utilization of the service where appropriate. For example, the national average for 'cost per ride' for public transit service is about $8 compared to $29 for on-demand paratransit service.[5] The CMO Program Administrator team will help and support applicants to understand KPIs, and how they can be included in the application and applied to project planning.

Tip #2: Include Multiple Sources of Revenue

The second financial sustainability tip in the Project Design Guide is to think about user fees for your mobility service, as well as any other supporting infrastructure like vehicle charging stations. It is critical to establish a sustainable fare structure for long-term continuation of the service after the voucher funding period. In general, there are three common approaches to user fees.

- **Pay-as-You-Go** pricing charges in relation to use of a service, whether per-ride, per-day, per-hour or minute. This is a feature of most common "business-to-consumer" approach for transportation and is found across carshare, scootershare, bikeshare and on-demand services.

- **Subscription** pricing involves an up-front fee to for access to a service, most often in the form of a membership. This offers a more consistent source of revenue and is especially common for docked bikeshare and round-trip carshare services. Reduced subscription pricing based on income, or some approximation of income like participation in food assistance or electricity subsidy programs, can offer a way to balance affordability and financial sustainability.

- **Bundled** pricing combines various services together at a discount to promote greater usage. In transportation, this is often seen in public transit systems with monthly passes or fare cards that can be used for discounted trips with other operators.

In addition to user fees, revenue can come from project partners in the form of advertisements, sponsorship, operating subsidies, or grants.

[5] Intelligent Paratransit (NYU Wagner, 2016)

- **Advertising** for a particular brand can provide a similar form of support and may be more accessible by groups like local businesses. Depending on the kind of service and the rules in your community, advertising can be at a parking space or pickup station, or even on the side of vehicles. Advertisements at bus shelters are so common that you may hardly even notice them! An example from the Clean Mobility Provider Directory is Circuit's microtransit in downtown San Diego, where ads on the side of neighborhood electric vehicles lower the cost of service.

- **Sponsorship** with outside partners can be similar to advertisements in practice, but are longer-term commitments and often with larger or more established organizations. Sponsorship is most seen with bikeshare and scootershare. For instance, before becoming Bay Wheels under Lyft, bikeshare in the Bay Area was Ford GoBike with Ford Motors as the "title" sponsor.

- **Subsidies** from organizations that benefit from your mobility service can help maintain affordability for users. This is kind of support can be available for workplace carpool and vanpool services through tax-deductible contributions from employers. An example of this from the Clean Mobility Provider Directory is Commute with Enterprise, which often uses "match" funding from employers or Travel Demand Management programs to lower the monthly cost of its vanpool rentals for users.

- **Public Grants** are another important resource that can complement the revenue sources described above. The California Governor's Office of Business and Economic Development maintains a Zero Emission Vehicle information landing page with state resources and incentives (GO-Biz). A number of other state agencies host consolidated, searchable platforms to help find grants for sustainability projects. The California Air Resource Board's new Funding Wizard site lists public grants, rebates and incentives while the California Energy Commissions' Empower Innovation offers additional insight on private and philanthropic sources. Examples of large State grant programs supporting clean transportation include, but are certainly not limited to:

    - Caltrans has the Low Carbon Transit Operations Program to support electric transit, the Active Transportation Program for bike and pedestrian projects, and the Sustainable Transportation Planning Grants program to support clean transportation planning efforts.

    - The Center for Sustainable Energy hosts the California Electric Vehicle Infrastructure Project (CALeVIP), which covers a range of financial incentives for communities to build electric vehicle charging.

- The California Strategic Growth Council's Transformative Climate Communities and California Housing and Community Development's Affordable Housing and Sustainable Communities programs are available to a wide range of organizations working to connect affordable housing and employment centers with low-carbon transportation solutions. These can cover a wide range of expenses, from housing development costs to clean vehicles.

- Local air districts and utilities are great resources for grant funding that may be available for vehicle and infrastructure acquisition. Check with your local air district and utility to see if they offer funding for these types of services.

- **Federal Grants** involve larger awards that usually must pass through a designated state, regional, or local government such as a Metropolitan Planning Organization. Even though these are often more difficult to apply for and funding availability can change between years, it is important to know some of the mechanisms by which your community receives transportation support to help obtaining additional revenue. Examples of Federal funding programs include:

  - Financial aid for public transit, sometimes referred to as "formula funding" because of the way dollar amounts are determined between urban and rural communities.[6] While historically focused on transit, other kinds of mobility services can be eligible for support if located near a public transit stop, part of programs to help seniors and persons with disabilities, or part of a federal research program.[7] The Federal Transit Administration also runs BUILD, a new version of a grant program created in 2009 that helped create some of the first US bikeshare systems.

  - The Federal Highway Administration's Congestion Mitigation and Air Quality Improvement Program (sometimes just referred to as CMAQ) may be used for a wide range transportation projects and programs that help communities reach pollution targets in the Clean Air Act. The FHWA distributes Surface Transportation Block Grants to states for improvements to roadways and public transit.

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[6] *FAST Act Guide: A Guide to Public Transportation and Rail-Related Provisions* (APTA, 2015)

[7] *Shared Mobility FAQs: Eligibility Under FTA Grant Programs* (FTA, 2016)

Tip #3: Build a Local Support Network

The third financial sustainability step in the Project Design Guide is about the importance of growing your project's support network to involve community-based organizations, local businesses, and public institutions. Mobility Project Voucher Application require five different forms of ***community resource contributions***—donated partner resources that can be a starting point for cost-sharing beyond the grant period. Aside from direct financial support, this can include volunteered time, equipment, and a whole array of other items that contribute to the success of a project.[8]

The Shared-Use Mobility Center's Learning Center has several case studies of California clean mobility projects that, among other sources, were able to launch with the support of partner resource contributions.

- *The Story of Green Raiteros: A Shared & Electric Lifeline for California Farmworkers* chronicles how a small nonprofit paired its local network of volunteer drivers and donated DC fast charging with a state grant for all-electric carpool service.

- *Electric and Equitable: Learning from the BlueLA Carsharing Pilot* looks back on BlueLA's planning and launch phases, including the important work of the volunteer neighborhood Steering Committee in gathering community input on how the service would be priced, as well as ultimately getting the word out before the project launch.

- *Our Community Carshare Sacramento* offers lessons learned from a residential electric vehicle carsharing pilot, which utilized donated parking spaces and electricity from various multi-family affordable housing properties.

Contingency Plans

In addition to contributing to the success of your CMO project, a trusted local support network can help with contingency plans if service discontinues after voucher funding expires. Mobility Project Voucher Applications require an outline for how CMO voucher-funded resources will be kept in service to benefit residents of disadvantaged community project if your service isn't financially sustainable. There are several things to keep in mind in this event.

- Project resources don't need the use the same partnership arrangement or service model. For instance, one future carshare service in California planned for vehicles to

[8] See Section J.7 of the *CMO Implementation Manual* for Community Resource Contribution types

either be operated by the local government or, if carshare service was discontinued, that vehicles be used as fleet vehicles for a local social service organization.

- Significant service changes should involve community input. It may be worth engaging other mobility operators for creative ideas of how to repurpose equipment and vehicles after the grant period.

- Hardware and equipment have what's called a "useful life," an IRS term for the period of time over which the value of an item depreciates.[9] Specific guidance isn't available in every case, but the general idea is that items that are heavily used and must be replaced regularly have a shorter "life." This would be under three years for scooters and bikes and as much as ten years for vehicle charging equipment.[10]

Next Steps

It's hard to predict how future events will unfold, and planning for financial sustainability can be an overwhelming exercise. But thinking hard about these issues now will help ensure community benefits for the long term. As always, the CMO Administrator Team are ready to provide any additional assistance needed to develop a Financial Sustainability Plan.

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[9] *How to Depreciate Property: Publication 946* (IRS, 2019)

[10] *Financial Viability of Non-Residential Electric Vehicle Supply Equipment* (Luskin Center for Innovation, 2012)