

Date: December 18, 2013  
W.I.: 1515  
Referred by: PAC  
Revised: 04/27/16-C 11/20/19-C  
02/23/22-C 10/26/22-C  
10/25/23-C

ABSTRACT

Resolution No. 4130, Revised

This resolution establishes the Cap and Trade Funding Framework and Process Development Guidelines.

This resolution includes the following attachments:

A – Cap and Trade Funding Framework

B – Guideline Development Process

This resolution was revised on April 27, 2016 to update the Cap and Trade Funding Framework.

This resolution was revised on November 20, 2019 to update the Transit and Intercity Rail Capital Program sections of the Cap and Trade Funding Framework.

This resolution was revised on February 23, 2022 to update the Transit and Intercity Rail Capital Program sections of the Cap and Trade Funding Framework.

This resolution was revised on October 26, 2022 to update the Transit and Intercity Rail Capital Program sections of the Cap and Trade Funding Framework.

This resolution was revised on October 25, 2023 to update the Transit and Intercity Rail Capital Program sections of the Cap and Trade Funding Framework.

Further discussion of these actions is contained in the Programming and Allocations Summary Sheets dated November 13, 2013, December 11, 2013, April 13, 2016, November 13, 2019, February 9, 2022, October 12, 2022, and October 11, 2023, and the Commission handouts of December 18, 2013.

Date: December 18, 2013  
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RE: Cap and Trade Funding Framework and Process Development Guidelines

METROPOLITAN TRANSPORTATION COMMISSION  
RESOLUTION NO. 4130

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 et seq.; and

WHEREAS, Plan Bay Area (“Plan”), the region’s integrated long-range transportation and land use plan adopted by MTC, provides the planning foundation for transportation improvements and regional growth throughout the San Francisco Bay Area through 2040; and

WHEREAS, the Plan includes a \$3.1 billion reserve from future Cap and Trade funding; and

WHEREAS, the Plan identifies the expected uses of Cap and Trade funding as including but not limited to transit operating and capital rehabilitation/replacement, local streets and roads rehabilitation, goods movement, and transit-oriented affordable housing, consistent with the Plan's focused land use strategy; and

WHEREAS, the Plan states that Cap and Trade revenues will be allocated to specific programs through a transparent and inclusive regional public process; and

WHEREAS, the Plan calls for the process to ensure that at least 25 percent of the Cap and Trade revenues will be spent to benefit disadvantaged communities in the Bay Area; and

WHEREAS, the Plan directs a significant portion of the revenue generated from Cap and Trade funding be dedicated to unmet transit needs as a robust and efficient public transit network is critical for the Plan's compact land use strategy focused around existing and planned transit nodes; now therefore be it

RESOLVED, that the Cap and Trade Funding Framework is a comprehensive strategy for reducing greenhouse gas emissions as outlined in Attachment A, attached hereto and incorporated herein as though set forth at length; and, be it further

RESOLVED, that Attachment B sets forth the Project Selection Process Development Guidelines for all funding categories with the exception of the Transit Core Capacity Challenge Grant Program; and be it further

RESOLVED, that the Transit Core Capacity Challenge Grant Program is detailed in Resolution No. 4123; and be it further

RESOLVED, that the funding framework established in Attachment A is subject to state statute and regulations governing the availability and use of the Cap and Trade Funding.

METROPOLITAN TRANSPORTATION COMMISSION

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Amy Rein-Worth, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in Oakland, California, on December 18, 2013

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Attachment A  
 Resolution No. 4130  
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## **Attachment A**

### **Bay Area Cap and Trade Funding Framework**

#### **Cap and Trade Reserve Investment Principles**

1. Cap and Trade Funds must have a strong nexus to Greenhouse Gas (GHG) reduction
2. Distribution of the available funds will serve to strategically advance the implementation of Plan Bay Area and related regional policies
3. Investment Categories and related Policy Initiatives will be structured to provide co-benefits and opportunities to leverage investments across categories and from multiple sources (public and private).
4. All Investment Categories should include funding that benefits disadvantaged communities in accordance with program guidelines from the applicable state agencies.

#### **Cap and Trade Reserve Funding Categories**

The following chart summarizes the framework including amounts from each category, with additional details following.

| Funding Category   | Amount<br>(\$ millions) |
|--|-------------------------|
| 1. Transit Core Capacity Challenge Grants Program/ TIRCP | 3,000                   |
| 2. Transit Operating and Efficiency Program/ LCTOP       | 1,136                   |
| 3. One Bay Area Grants/ AHSC                             | 5,000                   |
| 4. High Speed Rail                                       | TBD                     |
| 5. Climate Initiatives                                   | TBD                     |
| 6. Goods Movement  | TBD                     |
| <b>TOTAL</b>   | <b>TBD</b>              |

#### **1. Transit and Intercity Rail Capital Program/ Transit Core Capacity Challenge Grants Program**

To support implementation of Plan Bay Area 2050, MTC developed the Major Project Advancement Policy (MAP), aimed at delivering the next round of major transportation projects. Through the MAP, MTC has prioritized and sequenced regionally-significant projects for federal, state, and regional discretionary funding, including endorsing projects for projected regional shares of the Transit and Intercity Rail Capital Program (TIRCP) base and augmentation funds. The MAP is expected to be updated frequently to reflect actual awards, changes to discretionary funding availability and eligibility, and changes to or advancement of projects.

The TIRCP framework is revised to reflect the funding forecast and endorsements in the MAP. Through October 2022, \$1.9 billion of the original \$3 billion TIRCP framework, developed in 2013 based on the previous Plan Bay Area, has been awarded. The remaining \$1.1 billion unfunded commitment is proposed to be carried over into the revised TIRCP framework, which will reset the funding window to start in 2022 and extend through the life of Plan Bay Area 2050. The original framework showing this remainder is included in Attachment A-1 after the revised framework.

The revised TIRCP Framework will::

- Invest a total of \$4.6 billion in projected TIRCP funds, over the life of Plan Bay Area 2050. This includes
  - \$2.5 billion in base TIRCP funds expected to be distributed through regular competitive rounds, estimated based on the expected Bay Area share of Cap and Trade and SB1 revenues and assuming Cap and Trade revenues are renewed and do not sunset
  - \$1.3 billion in Augmentation 1 funds identified in the state FY 2022-23 budget and expected to be distributed in winter 2022-23
  - \$0.8 billion in Augmentation 2 funds identified in the state FY 2022-23 budget and realized as part of the SB 125 Transit Program, to be distributed by MTC
- Maintain the commitments previously adopted by MTC through the TIRCP framework, including implementation of the Transit Core Capacity Challenge Grant Program:
  - Accelerate fleet replacement and other state of good repair projects from Plan Bay Area, including “greening” the fleet and other strategic capital enhancements
  - Focus on BART, SFMTA, AC Transit, VTA, and Caltrain – transit operators that carry 91% of region’s passengers, account for approximately 88% of the plan’s estimated transit capital shortfall, and serve PDAs that are expected to accommodate the lion’s share of the region’s housing and employment growth
  - Achieve roughly \$7 billion in total state of good repair investment by leveraging other regional discretionary funds and requiring a minimum approximate 30% local match from the three operators
  - Requires that participating operators meet the Transit Sustainability Project’s performance objectives outlined in MTC Resolution No. 4060
- Add additional TIRCP funding for existing TIRCP framework projects with additional funding need, as adopted in the MAP
- Add new regional priority projects identified in the MAP, including:
  - Caltrain Downtown Rail Extension
  - Valley Link
- Support Grade Separation and Zero-Emission Transition projects as a major regional need and priority: MTC will consider endorsing Grade Separation projects seeking Augment 1 TIRCP funding based on the Grade Separation Projects listed in the adopted MTC Bay Area regional priority Projects List - Bipartisan Infrastructure Law Endorsement Lists and multi-operator coordinated Zero-Emission Transition projects.

MTC endorsements for projects in these categories may exceed the \$25M cap described below.

- Support other small transit expansion projects not named in the MAP: MTC will consider endorsing requests up to \$25 million for projects not explicitly in the framework, conditioned on consistency with the region's long range plan and the MAP.
- Create a transit operating reserve with SB 125 Transit Program (Augment 2) funds that are not committed to capital projects.
- See Attachment A-1 for full TIRCP framework

## **2. Low Carbon Transit Operations Program**

Plan Bay Area fully funds existing transit service levels at nearly \$115 billion over the three decade period, with an assumption that the largest transit operators achieve near-term performance improvements. However, the plan also identifies the importance of a more robust and expanded public transit network, anchored by expanded local service, as a key ingredient for success of Plan Bay Area's growth strategy. In particular, the plan falls short of the funding necessary to meet the performance target of growth in the non-auto mode share to 26 percent of all trips.

### Proposal:

- Invest \$302 million in Low Carbon Transit Operations Program (LCTOP) population-based funds over the life of Plan Bay Area as follows:
  - \$102 million to North Counties / Small Operators, distributed in same manner as State Transit Assistance population-based Northern Counties/Small Operators category as defined in MTC Resolution No. 3837
  - \$100 million to Clipper and fare policy investments
  - \$100 million to investments in key transit corridors, similar to the Transit Performance Initiative program, with AC Transit, SFMTA, and VTA receiving at minimum the following percentages based on ridership (50%) and service area population (50%):
    - AC Transit: 16%
    - SFMTA: 28%
    - VTA: 17%
  - These percentages would be achieved over a five year period, provided that the three operators have eligible, ready to go projects during a five year cycle.
  - The remaining 39% would be available to any operator with suitable projects, including AC Transit, SFMTA, and VTA.
  - All projects would be selected through a regional process.
- Full LCTOP framework is shown in Attachment A-2.

## **3. One Bay Area Grants/ Affordable Housing and Sustainable Communities Program**

Plan Bay Area invests over \$14 billion in transportation improvements concentrated near high quality transit and higher density housing – through the One Bay Area grant program – focusing

on complete streets, bicycle and pedestrian facilities, and streetscape improvements. The Plan identifies a remaining need of \$20 billion over the next three decades to achieve a PCI score of 75, the Plan's adopted performance target for pavement; of this, roughly 45% is for non-pavement infrastructure, critical for complete streets that would serve alternative modes and transit-oriented development that is a key part of Plan Bay Area's growth strategy. Further, the provision of housing for low and moderate income households in areas that provide access to jobs was identified in Plan Bay Area as critical to sustaining the region's economic growth and attaining the Plan's GHG and Housing Targets.

Proposal:

- Target award of 40% of statewide Affordable Housing and Sustainable Communities program funding for projects in the Bay Area, equaling \$5 billion over the life of Plan Bay Area.

#### **4. High Speed Rail**

Plan Bay Area includes several projects related to the California High Speed Rail project, including the electrification of Caltrain, and extension into downtown San Francisco. Twenty-five percent of Cap and Trade revenues are continuously appropriated to the California High Speed Rail Authority for planning and capital costs of the high speed rail project.

Proposal:

- Advocate for High Speed Rail investment in Bay Area elements of the system, including the Caltrain corridor and Transbay Transit Center / Caltrain Downtown Extension.

#### **5. Climate Initiatives**

The Climate Initiatives Program is a multi-agency program focused on investments in technology advancements and incentives for travel options that help the Bay Area meet the GHG emission reduction targets related to SB375.

Proposal:

- Advocate for Cap and Trade funding program out of the 40% of uncommitted revenues from which Climate Initiatives projects could be funded.

#### **6. Goods Movement**

Goods movement investments fall into two categories: (1) projects focused on improving the efficiency of the movement of goods within and through the region, and (2) mitigation projects that reduce the associated environmental impacts on local communities. MTC recently adopted a regional goods movement plan that should form the basis for advocacy and project development.

Proposal:

- Advocate for Cap and Trade funding program out of the 40% of uncommitted revenues from which goods movement projects could be funded.

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Attachment B  
Resolution No. 4130  
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## **Attachment B**

### **Cap and Trade Guideline Development Process**

Following adoption of the Cap and Trade Funding Framework, and in conjunction with the timing for the applicable state program, staff will convene stakeholders to develop the project selection process and criteria for individual categories, summarized below:

- TIRCP/ Core Capacity Challenge Grant program\*
- Transit Operating and Efficiency Program/ LCTOP
- One Bay Area Grants/ AHSC
- High Speed Rail
- Climate Initiatives (if available)
- Goods Movement (if available)

The Transit Core Capacity Challenge Grant Program would also follow the process and project selection included in MTC Resolution No. 4123.

**Stakeholder Involvement:** Staff will provide information and develop processes with the Regional Advisory Working Group (RAWG), the Partnership Board and working groups, and the Policy Advisory Council (or their working groups), as appropriate. In addition, certain subject matter experts or stakeholders may be added to the standing working groups to provide information for specific categories of funding.

**Development of Program Guidelines:** Where MTC has discretion within the state programs, the development of project selection process and criteria is proposed to occur in conjunction with state program timelines, and will generally:

- Review studies/efforts completed to-date
- Develop draft guidelines
- Release the draft guidelines for stakeholder review
- Conduct project selection process
- Seek Commission approval for projects/program



| Process Steps                                       | Work Plan and Timeframe   |  |  |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
|---|---|--|--|----------------------------|-----------------------|-----------------------------------|------------------|------------------|------------------|---|-----------------------|---------------------------------|--|--|--|------------------------------------|-------------------------------------|--|--|------------------|--|
| Review Studies and Efforts Completed To-Date        | <p>Staff will consider and review with stakeholders recent efforts completed for each of the Cap and Trade categories. Possible studies by category include:</p> <table border="0" data-bbox="625 310 1976 597"> <thead> <tr> <th data-bbox="625 310 953 378"><i>Transit Operating and Efficiency/ LCTOP</i></th> <th data-bbox="989 310 1283 378"><i>OneBayArea Grants/ AHSC</i></th> <th data-bbox="1325 310 1608 378"><i>Climate Initiatives</i></th> <th data-bbox="1665 310 1976 378"><i>Goods Movement</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="625 383 953 451">1) Transit Sustainability Project</td> <td data-bbox="989 383 1283 451">1) Plan Bay Area</td> <td data-bbox="1325 383 1608 451">1) Plan Bay Area</td> <td data-bbox="1665 383 1976 451">1) Plan Bay Area</td> </tr> <tr> <td data-bbox="625 456 953 524">2) Short Range Transit Plans or similar plans</td> <td data-bbox="989 456 1283 524">2) Cycle 1 Evaluation</td> <td data-bbox="1325 456 1608 524">2) Innovative Grants Evaluation</td> <td data-bbox="1665 456 1976 524">2) Regional Goods Movement Plan and update</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1325 529 1608 597">3) Air District Plans and programs</td> <td data-bbox="1665 529 1976 597">3) California Freight Mobility Plan</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1325 602 1608 670">4) CARB programs</td> <td></td> </tr> </tbody> </table> | <i>Transit Operating and Efficiency/ LCTOP</i> | <i>OneBayArea Grants/ AHSC</i>             | <i>Climate Initiatives</i> | <i>Goods Movement</i> | 1) Transit Sustainability Project | 1) Plan Bay Area | 1) Plan Bay Area | 1) Plan Bay Area | 2) Short Range Transit Plans or similar plans | 2) Cycle 1 Evaluation | 2) Innovative Grants Evaluation | 2) Regional Goods Movement Plan and update |  |  | 3) Air District Plans and programs | 3) California Freight Mobility Plan |  |  | 4) CARB programs |  |
| <i>Transit Operating and Efficiency/ LCTOP</i>      | <i>OneBayArea Grants/ AHSC</i>  | <i>Climate Initiatives</i>                     | <i>Goods Movement</i>                      |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
| 1) Transit Sustainability Project                   | 1) Plan Bay Area  | 1) Plan Bay Area                               | 1) Plan Bay Area                           |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
| 2) Short Range Transit Plans or similar plans       | 2) Cycle 1 Evaluation   | 2) Innovative Grants Evaluation                | 2) Regional Goods Movement Plan and update |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
|   |   | 3) Air District Plans and programs             | 3) California Freight Mobility Plan        |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
|   |   | 4) CARB programs                               |  |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
| Develop the Guidelines                              | <p>The guidelines should consider the information gathered in the process steps above as well as state program guidelines and include the following:</p> <ol style="list-style-type: none"> <li>1) Eligible project types</li> <li>2) Individual project review and scoring</li> <li>3) Funding amount and timing</li> <li>4) Consistency with other initiatives</li> <li>5) Potential leverage opportunities/local match requirements</li> <li>6) Other requirements specified for funding eligibility (state requirements)</li> </ol>   |  |  |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
| Release the Draft Guidelines for Stakeholder Review | <p>Stakeholders would have an opportunity to review the draft guidelines and provide additional comments. Staff would review comments and finalize the guidelines accordingly.</p>  |  |  |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |
| Conduct Project Selection                           | <ul style="list-style-type: none"> <li>• Conduct call for projects/information solicitation in accordance with MTC guidelines or state program guidelines</li> <li>• Seek Commission approval of projects/programs, or of an endorsement strategy</li> <li>• Submit information as required to applicable state agency</li> </ul>   |  |  |                            |                       |                                   |                  |                  |                  |   |                       |                                 |  |  |  |                                    |                                     |  |  |                  |  |

Attachment A-1

Transit and Intercity Rail Capital (TIRCP) Framework (all values in \$ millions)

Revised TIRCP Framework

| Agency              | Project/Category  | Base TIRCP  | Augment 1 <sup>1</sup> | Augment 2 <sup>2</sup> | Total <sup>3</sup> |
|---------------------|---|-------------|------------------------|------------------------|--------------------|
| BART                | <b>Transbay Corridor Core Capacity and Facilities</b>   |             | <b>250</b>             | <b>350</b>             | <b>600</b>         |
| SFMTA               | <i>Fleet Expansion and ZEB Transition</i>   | 368         |                        |                        | 368                |
|                     | <i>Facilities</i>   | 67          |                        |                        | 67                 |
|                     | <i>Core Capacity Study Projects/ BRT</i>  | 79.3        |                        |                        | 79                 |
|                     | <b>SFMTA Total</b>  | <b>514</b>  |                        |                        | <b>514</b>         |
| AC Transit          | <i>Fleet Expansion and ZEB Transition</i>   | 76          |                        |                        | 76                 |
|                     | <i>Facilities</i>   | 50          |                        |                        | 50                 |
|                     | <i>Major Corridors</i>  | 200         |                        |                        | 200                |
|                     | <b>AC Transit Total</b>   | <b>326</b>  |                        |                        | <b>326</b>         |
| VTA                 | <b>BART to Silicon Valley Phase II</b>  |             | <b>450</b>             | <b>375</b>             | <b>750</b>         |
| Caltrain            | <b>Peninsula Corridor Electrification Project</b>   |             | <b>300</b>             |                        | <b>300</b>         |
| TJPA                | <b>Downtown Rail Extension<sup>4</sup></b>  | <b>500</b>  | <b>60</b>              |                        | <b>560</b>         |
| TVSJVRRA            | <b>Valley Link<sup>4</sup></b>  | <b>300</b>  | <b>40</b>              |                        | <b>340</b>         |
| Multiple Operators  | <b>Grade Separations<sup>5</sup>; Zero-Emission Transition Projects<sup>5</sup>; TBD Transit Modernization and Expansion Projects<sup>6</sup>; Regional Contingency</b> | <b>860</b>  | <b>200</b>             | <b>-</b>               | <b>1,060</b>       |
| Multiple Operators  | <b>Transit Operating</b>  |             |                        | <b>46</b>              | <b>46</b>          |
| <b>Region Total</b> |   | <b>2500</b> | <b>1300</b>            | <b>771</b>             | <b>4,571</b>       |

Notes

1. Commission-endorsed Augment 1 amounts are shown, not awards. Variation between endorsements and awards: Caltrain received \$367M; VTA received \$375M; Valley Link received \$25M; other projects received \$194M. Region received \$1.186 billion.
2. Augment 2 was revised on 10/25/23 to hold BART to Silicon Valley Phase II Total Endorsement Amount constant over Augment 1 and 2, increasing Augment 2 from \$300M to \$375M. Operating line was added and consists of the balance of TIRCP Augment 2 funds after commitments to BART and VTA.
3. BART to Silicon Valley Phase II Total Endorsement amount is held constant at \$750 million, as described in note 2.
4. The Downtown Rail Extension and Valley Link projects are Level 2 projects in the Major Projects Advancement Policy. MTC supports TIRCP awards in the amounts listed over the lifetime of these projects, but advocated for \$60 million and \$40 million, respectively, to be awarded immediately for project development from Augment 1.
5. MTC endorsed Grade Separation projects seeking Augment 1 TIRCP funding based on the Grade Separation projects listed in the adopted MTC Bay Area regional priority Projects List - Bipartisan Infrastructure Law Endorsement Lists and multi-operator coordinated Zero-Emission Transition projects.
6. MTC will consider endorsing requests up to \$25 million for other projects that are not explicitly in the framework if they are consistent with the region's long range plan.

**Original TIRCP Framework - Superseded October 2022**

| Agency                    | Project/Category  | TIRCP Framework Amount | Total Awarded Rounds 1 - 5 | Balance October 2022 |
|---------------------------|---|------------------------|----------------------------|----------------------|
| <b>BART</b>               | Train Control   | 250                    | 174                        |                      |
|                           | Hayward Maintenance Center  | 50                     |                            |                      |
|                           | Fleet Expansion   | 200                    | 252                        |                      |
|                           | <b><i>BART Total</i></b>  | <b>500</b>             | <b>426</b>                 | <b>74</b>            |
| <b>SFMTA</b>              | Fleet Expansion and ZEB Transition  | 481                    | 113                        |                      |
|                           | Facilities  | 67                     |                            |                      |
|                           | Core Capacity Study Projects/ BRT   | 237                    | 157.7                      |                      |
|                           | <b><i>SFMTA Total</i></b>   | <b>785</b>             | <b>271</b>                 | <b>514</b>           |
| <b>AC Transit</b>         | Fleet Expansion and ZEB Transition  | 90                     | 14                         |                      |
|                           | Facilities  | 50                     |                            |                      |
|                           | Major Corridors   | 200                    |                            |                      |
|                           | <b><i>AC Transit Total</i></b>  | <b>340</b>             | <b>14</b>                  | <b>326</b>           |
| <b>VTA</b>                | <b>BART to Silicon Valley Phase II</b>  | <b>750</b>             | <b>750</b>                 | <b>0</b>             |
| <b>Caltrain</b>           | Electrification   | 100                    | 20                         |                      |
|                           | EMUs  | 125                    | 165                        |                      |
|                           | <b><i>Caltrain Total</i></b>  | <b>225</b>             | <b>185</b>                 | <b>40</b>            |
| <b>Multiple Operators</b> | <b>TBD Expansion Projects on High Ridership Bus, Rail and Ferry Corridors and ZEB Transition Projects</b> | <b>400</b>             | <b>206</b>                 | <b>194</b>           |
| <b>Region Total</b>       |   | <b>\$3,000</b>         | <b>\$1,852</b>             | <b>\$1,148</b>       |