

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 6a

**ACTION ITEM**

**Date of Meeting** June 25, 2013

**DATE:** June 17, 2013

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Stephanie Jones Stebbins, Director Seaport Environmental & Planning  
Janice Gedlund, Seaport Air Quality Program Manager

**SUBJECT:** Congestion Mitigation Air Quality Grant for Clean Truck Program

**Amount of This Request:** \$4,202,000

**Source of Funds:** Congestion Mitigation  
Air Quality Grant and Seaport General Fund

**Est. State and Local Taxes:** N/A

**Est. Jobs Created:** N/A

**Est. Total Project Cost:** \$4,202,000 (Port share \$667,000, federal share \$3,535,000)

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to: (1) execute a Local Agency Agreement with the Washington State Department of Transportation, substantially as drafted and attached to this request, to accept a Congestion Mitigation Air Quality (CMAQ) grant; and (2) proceed with the CMAQ-funded project that will replace or upgrade drayage trucks to the emissions equivalent of a 2007 model-year engine. The total project amount requested is \$4,202,000, of which the Port will contribute \$667,000.

**SYNOPSIS:**

The Port competed for and won a \$3,535,000 grant from the Puget Sound Regional Council using federal Congestion Mitigation Air Quality (CMAQ) funding for the Port's Puget Sound Regional Clean Truck Program project. The project's purpose is to reduce diesel truck emissions, which are the most harmful to human health, by replacing or upgrading 160 or more older polluting drayage trucks that serve Port of Seattle marine terminals. Older trucks would be replaced with newer model-year trucks and/or EPA-certified emission reduction retrofits to render the equivalent to the emission standards of a 2007 model-year truck. Trucks of this model year are ten times cleaner than pre-2007 engines. Trucks participating in this program that are not retrofitted will be scrapped. The project will span two years (2013 and 2014).

CMAQ funding is administered by the Washington State Department of Transportation. Eligible expenses are reimbursed at a rate of 86.5%, and will cap at \$3,535,000. The Port's contribution of 13.5% over the two-year period will be \$667,000, which includes \$115,000 in costs not eligible for grant funding. The total project cost is \$4,202,000. The 2013 budget includes \$325,000 to support the Clean Truck component of the Northwest Ports Clean Air Strategy. The

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balance of the Port's investment of approximately \$342,000 will be requested in the 2014 Seaport non-operating budget.

### **BACKGROUND:**

The Northwest Ports Clean Air Strategy was adopted by the Port Commission on January 22, 2008. One of the strategy's key objectives is to reduce port-related diesel emissions, including those from drayage trucks serving marine terminals. The strategy established and achieved a 2010 goal of having all trucks entering container terminals to have 1994 model year engines or newer, because this engine year produced substantially less pollution than older trucks. One tool that was used successfully to attain this goal was a financial incentive program for truck owners. The Port partnered with the Puget Sound Clean Air Agency to implement the Scrapage and Retrofits for Air in Puget Sound (ScRAPS) program. ScRAPS provided \$5,000 or blue book value—whichever was higher—to the owner in exchange for scrapping a truck. The program ran from 2009 to early 2011 and removed 280 pre-1994 trucks. The Port invested \$1.6 million in the program.

Per the strategy, the next phase of the Clean Truck Program will require trucks to meet the 2007 model year engine emission standards or equivalent, with an interim target of 80% of trucks by 2015 and 100% by 2017. Model year 2007 engines are ten times cleaner than pre-2007 engines.

Port staff estimates that there are about 2,500 trucks calling routinely at container terminals. About 15% of those trucks are already equipped with model year 2007 engines or newer. With normal fleet turnover, it is expected that this percentage will increase somewhat over the next four years. However, extensive outreach to the trucking community indicates that financial and other assistance is necessary for some truck owners to meet the Port's environmental requirements.

The grant dollars available will provide funding for at least 160 trucks to be upgraded, assuming a financial incentive level of \$20,000 per truck. This incentive level is on par with that offered by other clean truck programs around the country, which are typically designed to cover ¼ to ½ the cost of a used truck with a model year 2007 engine. In 2011-12 the City of Tacoma implemented a similar ScRAPS program that provided incentives of \$15,000 - \$20,000 per truck. Tacoma's program was also funded by a CMAQ grant. If truck prices drop, the incentive level may be reduced. Also, if less expensive options for upgrading trucks are identified, such as retrofits or fuel conversion kits, a lower level of incentive could be set, which would provide for additional trucks to be upgraded through this program.

The original grant application described a more extensive program and requested a higher level of funding than was ultimately offered. It described a multi-faceted regional clean truck program, incorporating three discrete elements proposed by multiple government agencies: (1) the Port of Seattle's element to replace or retrofit 200 older drayage trucks with newer model-year trucks and/or EPA-certified emission reduction retrofits to render the equivalent to the emission standards of a 2007 model-year truck; (2) a King County element to install electric plug-in connectors for trucks at truck parking lots in North Bend and Sumner, and to install auxiliary power units on 22 trucks that serve marine terminals at the Ports of Seattle and Tacoma; and (3) a Port of Tacoma element to install Optical Character Recognition (OCR) at

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two Port of Tacoma terminals. Subsequently, the agencies involved agreed to split the grant award, and the project description and budgets were adjusted.

Staff will return to the Commission at a later date for authorization for project-specific contracting. We anticipate contracting with a third-party project administrator to provide a program resource center, process applications for truck incentives and issue incentives, with an estimated cost exceeding the \$300,000 threshold requiring Commission authorization.

### **PROJECT JUSTIFICATION:**

Authorization of this request will leverage the Port's dollars with over \$3.5 million in federal grant funds to implement a second ScRAPs program to upgrade 160 or more trucks serving the Port's marine container terminals. Having newer trucks serving our terminals will reduce air emissions and help implement our clean air strategy.

#### ***Project Objectives:***

- Replace 160 or more older, polluting trucks serving Port marine terminals with trucks meeting model year 2007 emission standards or equivalent by December 31, 2014.
- Utilize grant funding and Port funding in the most economical manner.
- Complete project in compliance with federal grant guidelines, on time and within budget.

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Scope of Work:***

The scope of this project includes incentivizing truck scrapping and replacement, and/or installing EPA-certified emission reduction retrofits, to render trucks equivalent to the emission standards of a 2007 model-year truck, for at least 160 trucks serving Port of Seattle marine terminals. To accomplish this, the Port will contract with a third-party project administrator to provide a program resource center for the trucking community, process applications for participation in the truck incentive program, and issue incentives. The Port will also contract with a third party to audit the truck scrapping program to ensure that the CMAQ grant obligations are met.

#### ***Schedule:***

	<b>Start</b>	<b>Finish</b>
Program design & contracting	July 2013	December 2013
Program implementation (offer & issue incentives)	December 2013	December 2014
Closeout	January 2015	January 2015

### **FINANCIAL IMPLICATIONS:**

The following budget and authorization summary is for upgrading 160 trucks. This is the number of trucks identified in the approved CMAQ project description.

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### ***Budget Authorization Summary:***

	Capital	Non-Ops Expense	Total Project
Original Budget	\$0	\$4,202,000	\$4,202,000
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$0	\$0	\$0
Total Authorizations, including this request	\$0	\$0	\$0
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$4,202,000	\$4,202,000

### ***Project Cost Breakdown:***

The following project cost breakdown covers upgrades for 160 trucks. This is the number of trucks identified in the approved CMAQ project description.

<b><i>Project Cost Breakdown:</i></b>	<b>This Request</b>	<b>Total Project</b>
Truck Scrapping (contracted services and truck incentives)	\$3,987,000	\$3,987,000
Project Management & other soft costs	\$215,000	\$215,000
Total	\$4,202,000	\$4,202,000

### ***Budget Status and Source of Funds:***

The 2013 budget includes \$325,000 in non-operating funds to support the Clean Truck component of the Northwest Ports Clean Air Initiatives. The balance of the Port investment of approximately \$342,000 will be requested in the Seaport 2014 budget. Another source of funds may include reimbursement from truck scrapping/recycling, which is estimated to be \$80,000.

### ***Project cost breakdown with grant funding:***

<b>Grant</b>	<b>Project</b>	<b>Total Cost</b>	<b>Eligible Grant Funding 86.5%</b>	<b>Port Match 13.5%</b>	<b>Ineligible Costs</b>	<b>Total Port Costs</b>
CMAQ	Puget Sound Regional Clean Truck Program	\$4,202,000	\$3,535,000	\$552,000	\$115,000	\$667,000

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### ***Financial Analysis and Summary:***

<b>CIP Category</b>	N/A
<b>Project Type</b>	Environmental – Non Operating Expense
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	<ul style="list-style-type: none"><li>• insufficient number of truck owners apply for incentives</li><li>• potential cost overruns due to project complexity or unidentified additional changes needed</li></ul>
<b>Project cost for analysis</b>	N/A
<b>Business Unit (BU)</b>	Seaport
<b>Effect on business performance</b>	The grant proceeds will be reported as non-operating grant revenue and the related project cost will be reported as non-operating expense in 2013 and 2014.
<b>IRR/NPV</b>	N/A

### **STRATEGIC OBJECTIVES:**

This project aligns with the following Port strategic objectives:

- The Century Agenda strategy to be the greenest and most energy-efficient port in North America, and associated objective to reduce air pollutant emissions by 50% from 2005 levels. Model year 2007 engines emit ten times less particulate matter than 1994-2006 engines.
- The Century Agenda strategy to position the Puget Sound region as a premier international logistics hub. Newer trucks will be cleaner, safer and more reliable.
- The project supports the Port-wide strategy to manage our finances responsibly. This project leverages Port dollars with federal grant monies.

### **ENVIRONMENTAL SUSTAINABILITY:**

The purpose of this project is to replace older trucks with models that produce ten times less pollution. Old trucks that are replaced will be required to be scrapped so that they cannot be used elsewhere. The scrapping process maximizes reuse of materials.

### **BUSINESS PLAN OBJECTIVES:**

The Seaport business plan notes that environmental stewardship provides a business advantage. Implementing another truck scrapping program will help the Port meet the goals of the Northwest Ports Clean Air Strategy, which is incorporated into the Seaport's Green Gateway Strategy.

### **TRIPLE BOTTOM LINE SUMMARY:**

The project helps to clean the environment by reducing diesel exhaust emissions from older trucks and assists truck owners and operators who are Port business partners to upgrade their trucks to newer models that will enable them to continue working when restrictions on pre-2007 engine trucks go into effect. Many of the local trucking companies that will benefit are small

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businesses, and many of the independent owners and operators qualify as environmental justice-protected due to income levels and English language proficiency.

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

- **Alternative 1.** Do not offer a clean truck ScRAPs incentive program. Without an incentive program it will be difficult for some truck owners/operators to stay in business when the requirement for 2007 model year engines takes effect. This alternative is not recommended.
- **Alternative 2.** Offer a clean truck ScRAPs incentive program using only Port funds. This would require significantly more Port dollars. This alternative is not recommended.
- **Alternative 3.** Accept the grant and offer a clean truck ScRAPs incentive program. By leveraging Port funds with the federal grant, more trucks can be upgraded to meet the Port's business and environmental objectives. **This is the recommended alternative.**

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

- December 3, 2012, letter from the Puget Sound Regional Council notifying the Port of the award of grant funding.
- Draft Washington State Department of Transportation Local Agency Agreement.
- 2012 grant application.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

- February 9, 2005 – the Commission adopted Resolution No. 3534, expressing its commitment to Maritime Air Quality.
- February 16, 2007 – the Commission passed a series of environmental motions that required, in part, that staff present an air quality action plan for Commission approval.
- December 6, 2007 – the Commission was briefed on the revised draft of the Northwest Ports Clean Air Strategy.
- January 22, 2008 – the Commission adopted the Northwest Ports Clean Air Strategy.
- April 1, 2008 – the Commission and the public were briefed on the Northwest Ports Clean Air Strategy implementation.
- July 8, 2008 - the Commission was briefed on the Port's Clean Truck Program.
- September 2, 2008 – the Commission was briefed on the Port's Clean Truck Program for drayage operations at West Coast Seaports.
- November 11, 2008 – the Commission was briefed on the Port's Clean Truck Program.
- February 10, 2009 – the Commission held a policy roundtable discussion of the Clean Air Program.
- March 31, 2009 – the Commission was briefed on the customer support package and the Clean Air Program.
- April 14, 2009 – the Commission authorized the execution of lease agreements with Total Terminals Inc. for Terminal 46, SSAT (Seattle) for Terminal 25/30, SSA Terminals for Terminal 18, and Eagle Marine for Terminal 5, to incorporate the Customer Support Package and the Ports Clean Air Program into those leases.

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- April 14, 2009 – the Commission authorized an agreement with Puget Sound Clean Air Agency, to transfer \$2.3 million (\$1.15m in 2009 & \$1.15m in 2010) from the Port’s operating budget to support the implementation of the Northwest Ports Clean Air Strategy.
- June 23, 2009 – the Commission received a briefing on the Northwest Ports Clean Air Strategy 2008 Implementation Report.
- August 25, 2009 – the Commission received a Clean Air Update.
- January 12, 2010 – the Commission was briefed on the Seaport’s Air Quality Program.
- December 7, 2010 – the Commission was briefed on the Northwest Ports Clean Air Strategy Implementation Status.
- January 4, 2011 – the Commission adopted the “Motion to Accelerate Seaport Clean Air Goals to 2015.”
- February 1, 2011 – the Commission authorized to sign agreement 20090046 Amendment 4 with the Puget Sound Clean Air Agency to transfer \$1,160,250 in funds to support the implementation of the Northwest Ports Clean Air Strategy, and to extend the end date from June 30, 2011, to June 30, 2013. Amendment 4 would increase the total amount transferred from the Port to PSCAA since 2009 to \$4,166,250.
- July 12, 2011 – the Commission was briefed on the Northwest Ports Clean Air Strategy 2010 Implementation Report and interim report on Accelerating Clean Air Goals.
- February 7, 2012 – the Commission was briefed on the Northwest Ports Clean Air Strategy on the Port’s current air quality program effort, and draft recommendations on options for accelerating Seaport Clean Air Strategy goals.
- May 1, 2012 – the Commission authorized to sign agreement 20090046 Amendment 5 with the Puget Sound Clean Air Agency to transfer \$1,050,000 in funds to support the implementation of the Northwest Ports Clean Air Strategy, Amendment 5 would increase the total amount transferred from the Port to PSCAA since 2009 to \$5,216,250.
- December 4, 2012 – the Commission was briefed on the results of the 2011 Puget Sound Maritime Air Emissions Inventory and options for accelerating the NWPCAS truck goals.