

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5a

ACTION ITEM

Date of Meeting December 10, 2013

DATE: November 22, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Stephanie Jones Stebbins, Director Seaport Environmental & Planning
Janice Gedlund, Seaport Air Quality Program Manager
SUBJECT: State of Washington Department of Ecology Clean Diesel Grant for Clean Truck Program

Amount of This Request: \$525,000

Source of Funds: State of Washington
Department of Ecology Clean Diesel Grant and
Seaport General Fund

Est. State and Local Taxes: N/A

Est. Jobs Created: N/A

Est. Total Project Cost: \$4,727,000 (Port share \$692,000; State share \$500,000; federal share \$3,535,000)

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to increase the authorized amount for the Clean Truck Program truck scrapping project by \$525,000, for a revised total of \$4,727,000. Of the additional \$525,000, the State Department of Ecology Clean Diesel Grant will provide \$500,000 and the Port will contribute \$25,000.

SYNOPSIS

The Port applied for and has been offered a \$500,000 Clean Diesel grant from the State of Washington Department of Ecology to augment the previously authorized Clean Truck Program incentive project to replace or upgrade older polluting drayage trucks that serve Port of Seattle marine terminals. This request adds \$525,000 to the previous authorization (\$500,000 in state grant funds and \$25,000 in grant-ineligible Port costs). The state Clean Diesel grant will pay 100% of eligible costs, and the Port will incur \$25,000 in non-eligible expenses, for a total of \$525,000. The Ecology grant will enable the Port to provide financial incentives for at least 20 trucks, in addition to the original estimate of 160 or more trucks planned to be replaced or upgraded via the previously authorized CMAQ grant-funded project, for a total of 180 trucks.

On June 25, 2013, the Commission authorized a \$4,202,000 project to reduce diesel truck emissions by replacing or upgrading 160 or more older polluting drayage trucks that serve Port of Seattle marine terminals. Older trucks will be replaced with newer model-year trucks 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 (mid-2013 to mid-2015).

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The original \$4,202,000 project will be funded substantially by a federal CMAQ grant of \$3,535,000. Under the CMAQ grant, 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 for the CMAQ project is \$4,202,000.

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 marine-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. 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.

PROJECT JUSTIFICATION AND DETAILS

Authorization of this request will leverage the Port's dollars with over \$3.5 million in federal grant funds and \$500,000 in state grant funds to implement a second ScRAPs program to upgrade or replace 180 or more trucks (160 to be funded by the CMAQ grant and 20 by the state grant) serving the Port's marine container terminals. Having newer trucks serving our terminals will reduce air emissions and help implement our clean air strategy.

The project will provide funding for at least 180 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. For example, 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.

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Project Objectives

- Replace 180 or more older, polluting trucks serving Port marine terminals with trucks meeting model year 2007 emission standards or equivalent by June 30, 2015.
- Utilize grant funding and Port funding in the most economical manner.
- Complete project in compliance with federal grant guidelines, on time and within budget.

Scope of Work

The scope of this project includes incentivizing truck scrapping and replacement, or installing EPA-certified emission reduction retrofits, to render trucks equivalent to the emission standards of a 2007 model-year truck, for at least 180 trucks (160 funded trucks by the CMAQ grant and 20 trucks by the state grant) serving Port of Seattle marine terminals. To accomplish this, the Port will enter into an interlocal agreement with Puget Sound Clean Air Agency 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

	Start	Finish
Program design & contracting	July 2013	April 2014
Program implementation (offer & issue incentives)	May 2014	May 2015
Closeout	June 2015	June 2015

FINANCIAL IMPLICATIONS

The following budget and authorization summary is for upgrading 180 trucks (160 trucks funded by the CMAQ grant and 20 funded by the state grant).

Budget Authorization Summary

	Capital	Non-Ops Expense	Total Project
Original Budget	\$0	\$4,202,000	\$4,202,000
Previous Authorizations	\$0	\$4,202,000	\$4,202,000
Current request for authorization	\$0	\$525,000	\$4,727,000
Total Authorizations, including this request	\$0	\$4,727,000	\$4,727,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$4,727,000	\$4,727,000

Project Cost Breakdown

The following project cost breakdown covers upgrades for 180 trucks. This is the number of trucks identified in the approved CMAQ project description.

<i>Project Cost Breakdown:</i>	This Request	Total Project
Truck Scrapping (contracted services and truck incentives)	\$474,000	\$4,406,000
Project Management & other soft costs	\$51,000	\$321,000
Total	\$525,000	\$4,727,000

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Budget Status and Source of Funds

The project funds have been included in the Port's 2014 Operating Budget and in the 2015 forecast used to develop the Plan of Finance. The 2014 budget includes \$3,117,000,000 in non-operating funds to support the Clean Truck component of the Northwest Ports Clean Air Initiatives. The remaining balance of the Port investment will be requested in the Seaport 2015 budget.

The CMAQ grant pays 86.5% of eligible costs, and requires a Port match of 13.5%. The state grant will pay 100% of eligible project costs. The Port will incur some non-eligible costs, such as overhead, for both the CMAQ and state grant. Another source of funds may include reimbursement from truck scrapping/recycling, which is estimated to be \$80,000. All costs to be covered by the Port will be funded out of the Seaport Division's General Fund.

Project cost breakdown with grant funding

Grant	Project	Total Cost	Eligible Grant	Port Match	Ineligible Costs	Total Port Costs
CMAQ	Puget Sound Regional Clean Truck Program	\$4,202,000	\$3,535,000	\$552,000	\$115,000	\$667,000
Ecology Clean Diesel	Puget Sound Regional Clean Truck Program	\$525,000	\$500,000	\$0	\$25,000	\$25,000
TOTAL		\$4,727,000	\$4,035,000	\$552,000	\$140,000	\$692,000

Financial Analysis and Summary

CIP Category	N/A
Project Type	Environmental – Non Operating Expense
Risk adjusted discount rate	N/A
Key risk factors	<ul style="list-style-type: none">• insufficient number of truck owners apply for incentives• potential cost overruns due to project complexity or unidentified additional changes needed
Project cost for analysis	N/A
Business Unit (BU)	Seaport
Effect on business performance	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, 2014 and 2015.
IRR/NPV	N/A

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STRATEGIES AND 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 and state grant monies.

TRIPLE BOTTOM LINE

Economic Development

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. Newer trucks will be cleaner, safer and more reliable.

Environmental Responsibility

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.

Community Benefits

The project helps to clean the environment and protect public health 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 businesses. Many of the independent owners and operators are immigrants with limited English language proficiency and lower incomes.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

- **Alternative 1.** Do not expand the project to offer a clean truck ScRAPs incentive program to 20 additional trucks. 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 clean truck ScRAPs incentives to additional 20 trucks using only Port funds. This would require significantly more Port dollars. This alternative is not recommended.
- **Alternative 3.** Accept the grant and augment the existing clean truck ScRAPs incentive program to provide incentives to an additional 20 trucks. 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.**

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ATTACHMENTS TO THIS REQUEST

- Draft Clean Diesel Grant Agreement between Washington State Department of Ecology and Port of Seattle for Grant No. G1400386
- September 11, 2013, Notice of Funding Award from the Washington State Department of Ecology
- August 30, 2013, grant application

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- December 3, 2013 – the Commission was briefed on the final Northwest Ports Clean Air Strategy 2013 Update.
- June 25, 2013 – the Commission was briefed on the draft 2013 Northwest Ports Clean Air Strategy.
- June 25, 2013 – the Commission authorized executing an agreement with the Washington State Department of Transportation to accept a Congestion Mitigation Air Quality grant and to proceed with the grant-funded project to provide incentives for replacing or upgrading 160 or more drayage trucks to meet 2007 emission standards.
- 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.
- 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 increased the total amount transferred from the Port to PSCAA since 2009 to \$5,216,250.
- February 7, 2012 – the Commission was briefed on the Northwest Ports Clean Air Strategy and on the Port’s current air quality program effort, and draft recommendations on options for accelerating Seaport Clean Air Strategy goals.
- 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 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 increased the total amount transferred from the Port to PSCAA since 2009 to \$4,166,250.
- January 4, 2011 – the Commission adopted the “Motion to Accelerate Seaport Clean Air Goals to 2015.”
- December 7, 2010 – the Commission was briefed on the Northwest Ports Clean Air Strategy Implementation Status.
- November 9, 2010 – the Commission authorized to increase the amount of the At-Berth Clean Fuels Vessel Incentive Program by \$110,250, for a total 2010 annual program budget

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of \$951,750, to cover participation by the projected number of qualifying vessel visits for the remainder of the year.

- June 8, 2010 – the Commission authorized to supplement the value of the At-Berth Clean Fuels Vessel Incentive Program by \$541,500, for a total 2010 annual program budget of \$841,500. Within the \$541,500, \$135,000 represents funds that were originally approved in 2009, but were not used until 2010.
- January 12, 2010 – the Commission was briefed on the Seaport’s Air Quality Program.
- August 25, 2009 – the Commission received a Clean Air Update.
- August 25, 2009 – the Commission authorized a revised Customer Support Package lease amendment with Total Terminals Inc.; and authorized the Port to purchase energy efficient light fixtures and related equipment for T-46, for an amount not to exceed \$680,000.
- June 23, 2009 – the Commission received a briefing on the Northwest Ports Clean Air Strategy 2008 Implementation Report.
- April 14, 2009 – the Commission authorized an agreement with Puget Sound Clean Air Agency, to transfer \$2.3 million (\$1.15 million in 2009 and \$1.15 million in 2010) from the Port’s operating budget to support the implementation of the Northwest Ports Clean Air Strategy.
- 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.
- March 31, 2009 – the Commission was briefed on the customer support package and the Clean Air Program.
- February 10, 2009 – the Commission held a policy roundtable discussion of the Clean Air Program.
- December 2, 2008 – the Commission authorized a transfer of \$500,000 to the Puget Sound Clean Air Agency for the At-Berth Clean Fuels Vessel Incentive Program.
- November 11, 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.
- July 8, 2008 – the Commission was briefed on the Port’s Clean Truck Program.
- April 1, 2008 – the Commission and the public were briefed on the Northwest Ports Clean Air Strategy implementation.
- January 22, 2008 – the Commission adopted the Northwest Ports Clean Air Strategy.
- December 6, 2007 – the Commission was briefed on the revised draft of the Northwest Ports Clean Air Strategy.
- August 28, 2007 – the Commission adopted Resolution No. 3585, endorsing the U.S. Proposal to the International Maritime Organization seeking more stringent air emissions standards for ocean going vessels.

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- April 10, 2007 – the Commission was briefed on the Puget Sound Maritime Air Emissions Inventory Project.
- March 27, 2007 – the Commission authorized the amendment of the existing contract for the Air Emission Inventory in the amount of \$25,000, and to receive and spend supplemental funding for the Puget Sound Maritime Air Emissions Inventory Project.
- 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.
- April 26, 2005 – the Commission authorized joint development of the Puget Sound Maritime Air Emissions Inventory and \$500,000 for support and implementation of the project.
- February 9, 2005 – the Commission adopted Resolution No. 3534, expressing its commitment to Maritime Air Quality.