

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>4c</u>
Date of Meeting	<u>July 22, 2014</u>

DATE: July 14, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Janice Gedlund, Seaport Air Quality Program Manager
SUBJECT: Supplemental Congestion Mitigation and Air Quality Grant for Clean Truck Program

Amount of This Request:	\$763,000	Source of Funds:	Congestion Mitigation and Air Quality Grant and Seaport General Fund
Est. Total Project Cost:	\$7,098,000		

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 supplemental Congestion Mitigation and Air Quality (CMAQ) grant; and (2) increase the authorized amount for the Clean Truck Program truck scrapping project by \$763,000 for a revised total of \$7,098,000. Of the additional \$763,000, the supplemental CMAQ grant will provide \$638,000 and the Port will contribute \$125,000.

SYNOPSIS

The Port applied for and has been offered an additional \$638,000 of CMAQ grant funds from the Puget Sound Regional Council through its 2014 Supplement Funding Action for U.S. Federal Highway Administration (FHWA) grant dollars. This request adds \$763,000 to the Commission's previous authorization (\$638,000 in CMAQ funds and \$125,000 in Port funds).

CMAQ funds come from the FHWA and are administered by the Washington State Department of Transportation (WSDOT). Eligible expenses are reimbursed at a rate of 86.5%, and will cap at \$638,000. The Port's match of 13.5% will be \$100,000, and the Port will contribute an additional \$25,000 in costs not eligible for grant reimbursement. Port funds will be requested in the 2015 Seaport non-operating budget.

This additional funding would be used for a second phase of the Port's current CMAQ-funded truck scrapping and replacement project, by providing incentives for 19 additional drayage truck replacements in 2015. This new project would require replacement trucks to have a 2010 or newer engine or EPA-certified emission reduction retrofits to render the equivalent of the emission standards of a 2010 model-year truck, and would provide incentives of up to 50% of

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the replacement cost, capped at \$30,000/truck. This aligns with the requirements of the recently awarded EPA Diesel Emission Reduction Grant. The CMAQ supplemental grant will raise the total number of trucks able to be replaced or retrofitted under the program to 239.

BACKGROUND

The Port Commission adopted the Northwest Ports Clean Air Strategy 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. In 2009, the Port partnered with the Puget Sound Clean Air Agency to implement the ScRAPS 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 by January 1, 2018. Model year 2007 engines are ten times cleaner than pre-2007 engines.

Port staff estimates that there are about 1,000 trucks calling frequently (200 times/year) at container terminals. About 10% of these frequently calling 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.

On June 25, 2013, the Commission authorized the Port to proceed with a \$4,202,000 drayage truck replacement project utilizing a \$3,535,000 CMAQ grant, administered by Washington State Department of Transportation with USDOT funding and \$667,000 of Port funding. This amount provides resources to offer 160 truck incentives at \$20,000/truck.

On December 10, 2013, the Commission authorized an additional \$525,000 for the project to provide incentives for 20 additional trucks. Of the \$525,000, \$500,000 is from a State of Washington Department of Ecology Clean Diesel Grant of \$500,000, and a Port match of \$25,000.

On May 15, 2014, a port trucker meeting was held to launch the ScRAPS 2 program, and the ScRAPS 2 Office at Terminal 5 opened to applicants on May 27, 2014. The ScRAPS 2 office is staffed by the Puget Sound Clean Air Agency under an interlocal agreement with the Port. As of mid-June, almost 180 applications had been received (the amount of slots available at that time) and a waiting list had been created.

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On June 24, 2014, the Commission authorized an additional \$1,608,000 for the project utilizing \$1,200,000 in EPA DERA funds and \$408,000 of Port funding. This element of the DERA project will provide resources to scrap and replace 40 additional trucks to those meeting 2010 emission standards, Incentive levels will be set at 50% of the purchase price of the replacement price, capped at \$30,000/truck.

PROJECT JUSTIFICATION AND DETAILS

Authorization of this request will leverage \$125,000 in Port funding with \$638,000 in federal grant funds to augment the existing ScRAPs 2 program, bringing the total program cost to \$7,098,000, mostly funded with federal and state grants. The supplemental CMAQ grant will provide funding for an additional 19 trucks bringing the total number of trucks to be replaced or upgraded to 239. Having newer trucks serving our terminals will reduce air emissions and help implement our clean air strategy.

Project Objectives

- Supplement the currently funded Clean Truck Program's truck scrapping project to add incentives to replace 19 additional older, polluting trucks serving Port marine terminals with trucks meeting model year 2010 emission standards or equivalent by December 31, 2015. This is in addition to previous funding approval to upgrade 220 trucks to 2007 or newer engines.
- 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 work approved previously by the Commission included 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, and to scrap and replace at least 40 trucks (funded by the DERA grant) with trucks meeting model-year 2010 emission standards. Truck owners have expressed interest in the higher incentive level towards the purchase of 2010 model-year engine trucks vs. model-year 2007 trucks, citing a greater pool of newer trucks on the market, longer life-span (having lower miles) and reduced maintenance requirements.

The CMAQ supplemental grant will add 19 incentives of up to \$30,000 each for truck replacements or upgrades to meet the model-year 2010 emission standards. To accomplish this, the Port will amend its interlocal agreement with Puget Sound Clean Air Agency that is staffing the ScRAPs 2 resource center for the trucking community, to process the additional CMAQ-related applications for participation in the truck incentive program, and issue the additional incentives. If needed, the Port will also amend its contract with a third party to audit the truck-scrapping program to ensure that the DERA grant obligations are met.

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Schedule

	Start	Finish
Execute Local Agency Agreement with WSDOT	July 2014	August 2014
Program design & contracting	August 2014	October 2014
Obtain Buy America waiver from FHWA	September 2014	March 2015
Program implementation (offer & issue incentives)	March 2015	October 2015
Closeout	November 2015	December 2015

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Previous Authorizations (U00079 and U00134)	\$0	\$6,335,000	\$6,335,000
Current request for authorization	\$0	\$763,000	\$763,000
Total Authorizations, including this request	\$0	\$7,098,000	\$7,098,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$7,098,000	\$7,098,000

Project cost breakdown

Grant	Project	Total Cost	Eligible Grant	Port Match	Ineligible Costs	Total Port Costs
CMAQ	Puget Sound Regional Clean Truck Program (160 trucks)	\$4,202,000	\$3,535,000	\$552,000	\$115,000	\$667,000
Ecology Clean Diesel	Puget Sound Regional Clean Truck Program (20 trucks)	\$525,000	\$500,000	\$0	\$25,000	\$25,000
DERA	Port of Seattle Drayage Truck Replacement Project (40 trucks)	\$1,608,000	\$1,200,000	\$0	\$408,000	\$408,000
CMAQ Supplemental	Puget Sound Regional Clean Truck Program Phase 2 (19 trucks)	\$763,000	\$638,000	\$100,000	\$25,000	\$125,000
TOTAL		\$7,098,000	\$5,873,000	\$652,000	\$573,000	\$1,225,000

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Budget Status and Source of Funds

The project funds relating to the CMAQ and the Ecology Clean Diesel grants were 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 in non-operating funds to support the Clean Truck component of the Northwest Ports Clean Air Initiatives.

The project funds relating to the supplemental CMAQ grant were not included in the 2014 budget, but due to timing delays related to the other two grants, the amounts included in the 2014 budget are expected to cover all 2014 spending. Most of the costs will be incurred in 2015.

The remaining balance of the Port investment will be requested in the Seaport 2015 budget. All costs to be covered by the Port will be funded out of the Seaport Division's Non-Operating General Fund.

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 are reported as non-operating grant revenue and the related project costs are reported as non-operating expense in 2014 and 2015.
IRR/NPV	N/A

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. Model year 2010 engines emit five times less oxides of nitrogen.
- 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.

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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 239 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. The public health benefit of the avoided particulate emissions from all 239 trucks is valued at approximately \$3.9 million per year (based on USEPA's Diesel Emission Quantifier Health Benefits Methodology).

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do not expand the project to offer a clean truck ScRAPs 2 incentive program to 19 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 is not the recommended alternative.

Alternative 2) – Offer clean truck ScRAPs 2 incentives to 19 additional trucks using only Port funds. This would require significantly more Port dollars. This is not the recommended alternative.

Alternative 3) – Accept the supplemental CMAQ grant and augment the existing clean truck ScRAPs 2 incentive to provide incentives to an additional 19 trucks. By leveraging Port funds with this grant, more trucks can be upgraded to meet the Port's business and environmental objectives. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- Project description approved by Puget Sound Regional Council
- Draft Washington State Department of Transportation Local Agency Agreement

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- June 24, 2014 – the Commission authorized acceptance of a US Environmental Protection Agency Diesel Emission Reduction Act grant for the ScRAPs 2 project and to increase the project budget with grant and Port funds.
- December 10, 2013 – the Commission authorized executing an agreement with the State of Washington Department of Ecology to accept a Clean Diesel grant for the ScRAPs 2 project and to increase the project budget with grant and Port funds.
- December 10, 2013 – the Commission adopted the 2013 Northwest Ports Clean Air Strategy.
- 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

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budget 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.

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- 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.
- 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.