

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

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 4j  
**Date of Meeting** February 23, 2016

**DATE:** February 16, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Stephanie Jones Stebbins, Director Maritime Environmental and Planning  
Janice Gedlund, Senior Manager, Air Quality and Sustainable Practices,  
The Northwest Seaport Alliance  
**SUBJECT:** Approval of Amendment 3 to Interlocal Agreement No. 2014-052 with Puget Sound  
Clean Air Agency relating to the Clean Truck Program ScRAPs 2 Project

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to execute Amendment No. 3 to Interlocal Agreement No. 2014-052 (ILA) with the Puget Sound Clean Air Agency for administering the ScRAPs 2 drayage truck replacement program to add funding to allow an additional three months of project operation. This will be accomplished by reallocating existing project budget. There is no funding request as part of this authorization.

**SYNOPSIS**

This third amendment to ILA No. 2014-052 with the Puget Sound Clean Air Agency (Agency) for ScRAPs 2 drayage truck replacement services increases the dollar limit of the agreement by \$90,000 to allow for an additional three months of project operation. The amendment also extends the ILA's expiration date, provides an updated license agreement for continued use of port property for the ScRAPs trucker outreach center, and includes other administrative updates. The revised total of the ILA is \$6,438,000. This total incorporates the Agency's administrative costs as well as funds to provide financial incentives for scrapping/replacement of 220 trucks.

Truck replacements were slower than anticipated during and after last year's West Coast port slowdown and therefore it is necessary to extend the project timeline, which increases implementation costs. Funds for this amendment are in the approved Clean Truck program budget. The budget included an allotment for Port labor and grant-ineligible expenses that have been largely untapped and can thus be reallocated to the Agency's project implementation work.

The Clean Truck Programs of the Ports of Seattle and Tacoma are being consolidated into a unified program under The Northwest Seaport Alliance. However, because the Port of Seattle entered into grant agreements with federal and state agencies for the ScRAPs 2 project prior to the formation of the alliance, the Port of Seattle will complete this program as a home port activity.

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### **BACKGROUND**

Per the Northwest Ports Clean Air Strategy, the next phase of the Clean Truck Program will require trucks to meet the 2007 model-year engine-emissions standards or equivalent by January 1, 2018. Model year 2007 engines are ten times cleaner than pre-2007 engines. To help meet this target, the Port has obtained multiple grants and partnered with the Agency to implement the second phase of the Scrapage and Retrofits for Air in Puget Sound (ScRAPS 2) program.

The ILA with the Agency was originally executed in January 2014 for a total amount of \$4,275,000 for implementing the ScRAPS 2 drayage truck replacement program per a federal Congestion Mitigation and Air Quality (CMAQ) grant and a Washington State Department of Ecology Clean Diesel grant, which collectively involved scrapping and replacing 163 older drayage trucks serving the Port. Services performed by the Agency include operating the ScRAPS 2 trucker outreach center, processing applications for the financial incentives, approving old trucks for scrapping and the new replacement trucks, contracting with participating truck dealers and scrapyards, issuing incentive vouchers, and assisting the Port with program outreach.

Amendment 1 to this ILA was executed in October 2014 to add \$1,361,000 for a total amount of \$5,636,000 and revised the scope of work to include implementing a U.S. Environmental Protection Agency Diesel Emissions Reduction Act (DERA) grant that provided funding for an additional 40 truck replacements.

Amendment 2 to the ILA was executed in June 2015 to add tasks and associated funding of \$763,000 to implement a CMAQ supplemental grant awarded to the Port that allowed for an additional 19 truck replacements. The revised total was \$6,348,000.

Since the program launched in May 2014, over 160 trucks have been scrapped and replaced under the ScRAPS 2 program, and approximately 30 more applications have been pre-approved. There is funding for approximately 220 truck replacements. We anticipate completing this round of grant-funded projects in 2016.

### **PROJECT JUSTIFICATION AND DETAILS**

Authorization of this ILA amendment will enable the Port to meet its commitments under multiple federal and state grants and provide financial incentives to replace about 220 older drayage trucks. Having newer trucks serving our terminals will reduce air emissions and help implement the Northwest Ports Clean Air Strategy.

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

- Ensure on-going operation of the ScRAPS 2 program without a gap in service.
- Utilize grant dollars and Port funding in the most economical manner.
- Complete the project in compliance with federal and state grant guidelines 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 truck emissions equivalent to the standards of 2007 model-year trucks. Due to requirements of the DERA grant and

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truck owner interest, the program was revamped in late 2015 to offer two options: (1) up to 50% of replacement truck cost, capped at \$20,000 for a truck with a 2007 or newer engine or (2) 50% of replacement truck cost, capped at \$27,000 for a truck with a 2010 or newer engine. Amendment 3 to the ILA will extend the grant offering period by at least three months.

### ***Schedule***

Truck incentives will continue to be offered through at least September 30, 2016, or until funds are depleted, whichever is sooner. Grant closeout reporting and other activities are expected to be complete by December 31, 2016.

## **FINANCIAL IMPLICATIONS**

There is no new funding request associated with this authorization.

## **STRATEGIES AND OBJECTIVES**

This ILA Amendment is necessary to continue implementing the ScRAPs 2 project, and aligns with the following Port strategic objectives:

- The Century Agenda strategy to be the greenest and most energy-efficient port in North America, and the 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's strategy to manage our finances responsibly. This project leverages Port dollars with federal and state grant monies.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Do not reallocate funds within the original budget authorization.

Pros:

- Project will come in under budget by approximately \$775,000. This includes \$675,000 in financial incentives, \$90,000 in project implementation costs by Puget Sound Clean Air Agency and \$10,000 in port administration costs.

Cons:

- ScRAPs project will close prematurely.
- About 25 truck owners will not receive financial assistance of up to \$27,000 per truck, collectively \$675,000.
- The associated pollutant burden of not replacing 25 older trucks includes approximately one ton of diesel particulate matter each year.
- The Port will not fulfill its obligations under one federal grant and one state grant. Grant obligations include meeting pollution reduction and truck replacement targets. Federal and State grant funds of approximately \$600,000 will be unspent. The port will be unable to take advantage of these leveraged funds, will not meet grant partnership commitments to the

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Puget Sound Clean Air Agency, and will damage its competitive position to receive grant funding in the future.

This alternative is not recommended.

**Alternative 2)** – Execute an amendment to the ILA with the Agency as described above.

Pros:

- The existing ScRAPs 2 program can continue to offer truck replacement incentives without a lapse in service.
- More truck owners will be able to get financial incentives for truck replacements.
- Grant obligations will be met.

Cons:

- Higher cost for the program (but within approved budget.)

**This is the recommended alternative.**

## **ATTACHMENTS TO THIS REQUEST**

- Draft Amendment 3 to Interlocal Agreement 2014-052 with Puget Sound Clean Air Agency.

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- May 26, 2015 – the Commission authorized executing Amendment No. 2 to Interlocal Agreement No. 2014-052 with the Puget Sound Clean Air Agency for administering the ScRAPs 2 drayage truck replacement program to add work associated with a federal Congestion Mitigation and Air Quality Supplemental grant No. CM-1140(060).
- July 22, 2014 – the Commission authorized executing an agreement with the Washington State Department of Transportation to accept a supplemental Congestion Mitigation and Air Quality grant and to proceed with the grant-funded project to provide incentives for replacing or upgrading 119 or more drayage trucks to meet 2010 emission standards.
- 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.
- June 25, 2013 – the Commission authorized executing an agreement with the Washington State Department of Transportation to accept a Congestion Mitigation and 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.