

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4e
Date of Meeting October 10, 2016

DATE: October 3, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Stephanie Jones Stebbins, Director, Maritime Environment and Sustainability
Janice Gedlund, Senior Manager, Air Quality & Sustainable Practices, The Northwest Seaport Alliance
SUBJECT: Approval of Amendment 4 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: (1) execute Amendment No. 4 to Interlocal Agreement No. 2014-052 (ILA) with the Puget Sound Clean Air Agency (PSCAA) for administering the Scrapage and Replacements for Air in Puget Sound 2 (ScRAPS 2) drayage truck replacement program; and (2) execute revised Local Agency Agreement No. CM-1140(060) with the Washington State Department of Transportation, substantially as drafted and attached to this request. Amendment 4 and the revised Local Agency Agreement will allow for a shift of the Agency's unspent administrative budget to be used for three additional truck replacements. There is no overall change in budget.

SYNOPSIS

This request continues the Port's efforts toward cleaner air in Puget Sound by replacing older drayage trucks with newer ones that emit less diesel particulate matter. This request is expected to add three more replacements to the 294 already replaced by the project, which have eliminated over 5 tons of particulate emissions per year. There is no additional funding needed as part of this request, as the PSCAA will repurpose existing administrative funds for this work.

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 obtained multiple grants and partnered with the PSCAA to implement the ScRAPS 2 program.

The Clean Truck Programs of the Ports of Seattle and Tacoma are being consolidated into a unified program under The Northwest Seaport Alliance (NWSA). However, because the Port of Seattle entered into grant agreements with federal and state agencies for the ScRAPS 2 project

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 3, 2016

Page 2 of 5

prior to formation of the NWSA, the Port of Seattle is completing the project as a homeport activity. Any future grant projects for drayage trucks will be accomplished by the NWSA.

Currently, ILA No. 2014-052 with PSCAA sets a maximum level of compensation of \$5,430,000 to be used for financial incentives to truck owners and a maximum of \$1,008,000 to be used for the Agency's administrative costs to implement the program, for a total of \$6,438,000. Proposed Amendment 4 to the ILA would not change the total compensation, but would allow for a shift of the Agency's unspent administrative budget to be used for financial incentives, so that three additional trucks can be replaced.

The additional trucks will be replaced with funding from a supplemental Congestion Mitigation and Air Quality Grant that was executed in 2014. The shift in funds will require execution of a Local Agency Agreement Supplement. The total amount of the grant will not change.

Trucker interest has picked up significantly over the past six months, which reduced program implementation costs. As a result, some funds earmarked for the Agency's administrative expenses can now be reallocated to additional truck incentives.

The ILA with PSCAA 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, approving 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.

Amendment 3 to the ILA was executed in March 2016 to add \$90,000 in funding to extend project administration by three months. This was accomplished by reallocating existing project budget. The revised total of the ILA was \$6,438,000.

As of September 20, 2016, 224 trucks had been scrapped/replaced under the Port's ScRAPs 2 program, exceeding grant commitments by two trucks. In addition to the Port-managed grants, the PSCAA has obtained a separate grant for an additional ScRAPs element that launched in May 2016 and is running concurrently with the Port's program. As of September 20, 2016, 70

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 3, 2016

Page 3 of 5

trucks have been scrapped/replaced under the PSCAA grant project. Combined with the 224 trucks replaced with the Port's grant projects, the total number of truck replacements is 294.

PROJECT JUSTIFICATION AND DETAILS

Authorization of this ILA amendment will enable the Port to maximize available funds and provide financial incentives to replace three additional older drayage trucks. Having newer trucks serving our terminals will reduce air emissions and help implement the Northwest Ports Clean Air Strategy.

Project Objectives

- Move dollars from unspent administrative budget to allow for three additional truck replacements.
- 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.

Schedule

Grant commitments regarding the number of trucks replaced have been met. The current schedule calls for incentives to be offered through at least September 30, 2016 or until funds are depleted, whichever is sooner. Amendment 4 will allow three additional trucks to be replaced which will extend the project timeline by a few months. The additional trucks are expected to be replaced by December 31, 2016 with grant closeout reporting by March 31, 2017.

FINANCIAL IMPLICATIONS

There is no new funding request associated with this authorization.

STRATEGIES AND OBJECTIVES

This ILA Amendment will make best use of resources 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 pollution 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.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 3, 2016

Page 4 of 5

- The project supports the Port's strategy to manage our finances responsibly. This project leverages Port dollars with federal and state grant monies. Amendment 4 to the ILA will allow additional trucks to be replaced within budget.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not execute Amendment 4 to the ILA.

Cost Implications:

Pros:

- (1) The ScRAPs 2 program will come in under budget by approximately \$45,000.
- (2) The current Port-led ScRAPs 2 program can be completed on-schedule by December 31, 2016.

Cons:

- (1) Up to three truck owners will not receive financial assistance for truck replacements.
- (2) The associated pollutant burden of not replacing three older trucks includes approximately 100 pounds of diesel particulate matter each year.

This is not the recommended alternative.

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

Cost Implications:

Pros:

- (1) No additional funding is required.
- (2) Up to three additional truck owners will be able to get financial incentives for truck replacements.

Cons:

- (1) Project schedule will be extended by 2-3 months (but within approved budget).

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Draft Amendment 4 to Interlocal Agreement 2014-052 with the PSCAA
- Draft Attachment F to Amendment 4 to Interlocal Agreement 2014-052
- Draft Local Agency Agreement Supplement to Grant CM-1140(060)

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- February 26, 2016 – the Commission authorized executing Amendment No. 3 to Interposal Agreement No. 2014-052 with Puget Sound Clean Air Agency for administering the ScRAPs 2 drayage truck replacement program to add \$90,000 in funding to allow additional three months of project operation.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 3, 2016

Page 5 of 5

- May 26, 2015 – the Commission authorized executing Amendment No. 2 to Interpositional Agreement No. 2014-052 with 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 19 or more drayage trucks to meet 2010 emission standards.
- June 24, 2014 – the Commission authorized acceptance of a UW 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.