

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4c
Date of Meeting May 26, 2015

DATE: May 18, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Stephanie Jones Stebbins, Director Maritime Environmental and Planning
Janice Gedlund, Maritime Air Quality Program Manager
SUBJECT: Interlocal Agreement with Puget Sound Clean Air Agency on a multi-port ScRAPs project for the Clean Truck Program

Amount of This Request: \$250,000 **Source of Funds:** Seaport General Fund
Est. Total Project Cost: \$7,348,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) execute an interagency agreement with the Puget Sound Clean Air Agency, substantially as drafted and attached to this request, to provide matching funds for a Congestion Mitigation and Air Quality (CMAQ) grant obtained by the Agency; and (2) increase the authorized amount for the Clean Truck Program drayage truck scrapping/replacement project by \$250,000 for a revised total of \$7,348,000.

SYNOPSIS

The Puget Sound Clean Air Agency (Agency) has been offered a new grant for a multi-port project to scrap and replace 115 or more drayage trucks serving Port of Seattle and Port of Tacoma in the 2015-2017 timeframe. The Agency is the grant recipient, and the two ports previously agreed to provide the matching funds. A separate interlocal agreement between the Port and the Agency, specific to this particular grant project, is needed to formalize the Port's financial contribution and clarify roles and responsibilities.

With the Port's assistance, the Agency applied for and has been offered \$3,200,000 of new CMAQ grant funds from the Puget Sound Regional Council through its 2014 Funding Action for U.S. Federal Highway Administration (FHWA) grant dollars. The grant will go directly to the Agency, and will cover 86.5% of the cost for a \$3,700,000 project to scrap and replace 115 or more drayage trucks serving Port of Seattle and Port of Tacoma. Eligible expenses are reimbursed at a rate of 86.5%, and will cap at \$3,200,000. The Port's match of \$250,000 constitutes 6.75% of the project total. The Port of Tacoma will provide the same amount, so that the two ports' contributions will comprise the 13.5% local match requirement.

This request adds \$250,000 to the Commission's previous authorization for the Clean Truck Program's current truck scrapping and replacement project, ScRAPs 2. This request does not include

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the total project cost for this multi-port project, because the Agency will be the grant recipient and the balance of the project funding will not flow through the Port. The Maritime Division's 2015 budget includes \$125,000 local match for this project. The remaining Port funds will be requested in the 2016 and 2017 Maritime non-operating budget.

This additional funding would augment the Port's current CMAQ-funded truck scrapping and replacement project by providing incentives for 115 additional drayage truck replacements in 2016 - 2017. This new project would provide several options for truck owners. Incentive levels offered will be up to 50% of truck replacement cost, capped at \$20,000 for trucks with a model year 2007 – 2009 engine and \$30,000 for trucks with a model year 2010 or newer engine, or EPA-certified emission reduction retrofits to render an equivalent level of the emission control. This aligns with the requirements of the current grant-funded elements of the ScRAPs 2 project. In March 2014, the Port partnered with the Port of Tacoma and the Agency to develop the grant proposal and with the concurrence of the Port's Chief Executive Officer, indicated that it was reasonably expected that the Port would provide \$250,000 in matching funds.

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 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 by January 1, 2018. Model year 2007 engines are ten times cleaner than pre-2007 engines.

Port staff estimates that there are almost 1,000 trucks calling frequently (200 times/year) at container terminals. About 20% of these frequently-calling trucks are equipped with model year 2007 engines or newer.

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 the Port is providing \$25,000.

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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 project will provide resources to scrap and replace 40 additional trucks to those meeting 2010 emission standards, Incentive levels were set at 50% of the purchase price of the replacement price, capped at \$30,000/truck.

On July 22, 2014, the Commission authorized an additional \$763,000 for the project, utilizing \$638,000 in CMAQ grant funds and \$125,000 in Port funding. This element of the project will provide resources to scrap and replace 19 additional trucks with those meeting 2010 emission standards. Incentive levels will be set at 50% of the purchase price, capped at \$30,000/truck.

The Agency is currently administering the ScRAPs 2 program for the Port under a separate interlocal agreement. As of April 27, 2015, 107 trucks have been scrapped and replaced under ScRAPs 2, and approximately 30 more applications have been pre-approved.

PROJECT JUSTIFICATION AND DETAILS

Authorization of this request will leverage \$250,000 in Port funding with \$3,200,000 in federal grant funds and \$250,000 in Port of Tacoma funding to augment the existing ScRAPs 2 program, bringing the total program cost to \$7,348,000, mostly funded with federal and state grants. The multi-port CMAQ grant will provide funding for an additional 115 trucks bringing the total number of trucks to be replaced or upgraded to 354. 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 115 additional older, polluting trucks serving Port marine terminals with trucks meeting model year 2007 or 2010 emission standards or equivalent by December 31, 2017. This is in addition to previous funding approval to upgrade 239 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 serving Port of Seattle container terminals equivalent to the emission standards of a 2007 model-year truck, for at least 180 trucks (160 trucks funded by the CMAQ grant and 20 trucks by the state grant), and to scrap and replace at least 59 trucks (40 trucks funded by the DERA grant and 19 funded by the supplemental CMAQ 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.

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The Agency will be the recipient of the multi-port CMAQ grant. This grant-funded project will add 115 incentives of up to \$30,000 each for truck replacements or upgrades to meet the model-year 2007 or 2010 emission standards. Incentive levels offered will be up to 50% of truck replacement cost, capped at \$20,000 for trucks with a model year 2007 – 2009 engine and \$30,000 for trucks with a model year 2010 or newer engine, or EPA-certified emission reduction retrofits to render an equivalent level of the emission control. To accomplish this, the Port will enter into an interlocal agreement with Puget Sound Clean Air Agency (substantially as drafted and attached to this request) to provide matching funds so that the Agency can implement the project.

The Agency will invoice the Port for 6.75% of eligible project costs, as expenses are incurred, on a monthly basis.

Schedule

<u>Task</u>	<u>Start</u>	<u>Finish</u>
Agency executes ILAs with Port of Seattle and Port of Tacoma	May 2015	June 2015
Agency completes project planning activities and bills Port for 6.75% match of grant-eligible costs	July 2015	January 2016
Agency carries out project and bills for Port 6.75% match of grant-eligible costs	February 2016	December 2017

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Previous Authorizations (Activity Numbers U00079, U00134 and 105197)	\$0	\$7,098,000	\$7,098,000
Current request for authorization	\$0	\$250,000	\$250,000
Total Authorizations, including this request	\$0	\$7,348,000	\$7,348,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$7,348,000	\$7,348,000

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Project cost breakdown

Grant	Project	Port Authorized Amount	Eligible Grant	Port Match	Ineligible Costs	Total Port Costs
CMAQ 2012	Puget Sound Regional Clean Truck Program PS-10 (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, PS-13 (19 trucks)	\$763,000	\$638,000	\$100,000	\$25,000	\$125,000
CMAQ 2014*	Regional Port Clean Truck Program, PSCAA-1* (115 trucks)	\$250,000	\$0	\$0	\$0	\$250,000
TOTAL PORT COSTS (excluding CMAQ 2014 funds that will not flow through the Port)		\$7,348,000	\$6,123,000	\$652,000	\$573,000	\$1,725,000

* Puget Sound Clean Air Agency is the recipient of this grant. The total project costs and grant-eligible funds will not flow through the Port. Total project authorization is \$7,348,000.

Budget Status and Source of Funds

The project funds relating to the previously approved grant elements of this program were included in the Port's 2014 and 2015 Operating Budgets. The 2015 budget includes \$4,929,000 in non-operating funds to support the Clean Truck component of the Northwest Ports Clean Air Initiatives, including \$125,000 for matching funds for the Agency's multi-port ScRAPS project.

Based on a revised project schedule provided by the Agency, it is anticipated that the Port's contribution will be approximately \$20,000 in 2015, \$180,000 in 2016 and \$50,000 in 2017. The remaining Port investment will be requested in the Seaport 2016 and 2017 budgets. All costs to be covered by the Port will be funded out of the Seaport Division's Non-Operating General Fund.

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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">• Agency is unable to successfully complete project due to unforeseen delays, insufficient number of truck owners applying for incentives, potential cost overruns due to project complexity or unanticipated changes.• Delays in project launch and uptake may impact Port non-operating budget for years 2015, 2016 and 2017 (although Port total contribution will remain fixed at \$250,000.)
Project cost for analysis	N/A
Business Unit (BU)	Seaport
Effect on business performance	N/A
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.

TRIPLE BOTTOM LINE

Economic Development

The Seaport business plan notes that environmental stewardship provides a business advantage. Implementing another truck-scraping 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. This aligns with the Port's Century Agenda goal to reduce air emissions. 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.

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Community Benefits

The project helps to clean the environment and protect public health by reducing diesel exhaust emissions from 354 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 354 trucks is valued at approximately \$5.8 million per year (based on USEPA's Diesel Emission Quantifier Health Benefits Methodology). This aligns with the Century Agenda commitment to steward the environment, partner with communities and promote social responsibility.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do not expand the project to provide matching funds so that clean truck ScRAPs 2 incentives can be offered to 115 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 115 additional trucks using only Port funds. This would require significantly more Port dollars. This is not the recommended alternative.

Alternative 3) – Enter into the ILA with the Agency and provide \$250,00 in matching funds so that the existing clean truck ScRAPs 2 program can provide incentives to an additional 115 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

- Draft Interlocal Agreement with Puget Sound Clean Air Agency

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- 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.
- 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.

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- 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 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.
- 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 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.

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- 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.
- 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 presented 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.