

DATE: DECEMBER 15, 2016

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - GRANT ACCEPTANCE AND APPROVAL OF A COOPERATIVE AGREEMENT WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND SUBRECIPIENT AGREEMENTS WITH APM TERMINALS PACIFIC LLC AND TRAPAC, LLC PURSUANT TO THE 2016 DIESEL EMISSIONS REDUCTION ACT FUNDING OPPORTUNITY

SUMMARY:

Staff requests the Board of Harbor Commissioners (Board) accept and approve a Cooperative Agreement with the U.S. Environmental Protection Agency (EPA), and approve two Subrecipient Agreements with APM Terminals Pacific LLC (APM Terminals) and TraPac, LLC (TraPac) to replace and upgrade 18 pieces of equipment on Port of Los Angeles (Port) terminals.

On April 22, 2016, the City of Los Angeles Harbor Department (Harbor Department) submitted an application for funding a Port Terminal Equipment Project (Project) requesting \$3,106,314 to replace and/or repower 31 pieces of equipment under the U.S. EPA Diesel Emissions Reduction Act (DERA) Fiscal Year (FY) 2016 grant solicitation. On June 8, 2016, the U.S. EPA offered the Harbor Department a partial grant award in the amount of \$800,000 which could only fund a portion of the original Project. The grant award will be utilized to replace 16 yard tractors at APM Terminals and upgrade two heavy lift cargo handling equipment at TraPac with Tier 4 equipment, the cleanest commercially available cargo handling equipment. The total project cost is \$3,014,000 which will be cost shared by the U.S. EPA for \$800,000, APM Terminals for \$2,040,000 and TraPac for \$174,000. The Harbor Department's financial responsibility is limited to staff time to manage the grant which is expected to be minimal.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 1(32) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;

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2. Accept and approve the Cooperative Agreement between the City of Los Angeles Harbor Department and the U.S. Environmental Protection Agency for grant funding of \$800,000;
3. Accept and approve Modification No. 1 to the Cooperative Agreement between the City of Los Angeles Harbor Department and the U.S. Environmental Protection Agency to reflect the modified total project cost of \$3,014,000;
4. Accept and approve Modification No. 2 to the Cooperative Agreement between the City of Los Angeles Harbor Department and the U.S. Environmental Protection Agency to reflect the updated EPA general terms and conditions, and clarification to Section N of the Programmatic Conditions, Voluntary Cost-Share or Overmatch;
5. Authorize and direct the Executive Director to execute, and the Board Secretary to attest to said Cooperative Agreement, Modification No. 1, and Modification No. 2, for and on behalf of the Board;
6. Approve the Subrecipient Agreement between the City of Los Angeles Harbor Department and APM Terminals Pacific LLC in the amount of \$680,000 to replace 16 yard tractors;
7. Approve the Subrecipient Agreement between the City of Los Angeles Harbor Department and TraPac, LLC in the amount of \$116,000 to repower two heavy cargo handling equipment;
8. Authorize the Executive Director to execute, and the Board Secretary to attest to said Subrecipient Agreements for and on behalf of the Board; and
9. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - On February 25, 2016, the U.S. EPA Office of Transportation and Air Quality released a grant solicitation for diesel emission reduction projects under the DERA grant solicitation for FY 2016. Projects within U.S. EPA Region 9 (California, Arizona, Nevada, Hawaii, and Pacific Islands) were eligible to receive a total of \$4.4 million under this grant solicitation. The solicitation provided funding for the purchase of certified diesel emission technologies to replace or repower existing diesel engines to newer standards. The main goal of the grant is to reduce diesel emissions from fleets operating at or servicing goods movement facilities located in areas designated as having poor air quality. A 60% to 75% subrecipient cost share is required to pay the difference between the cost of the equipment and the allocated grant funding.

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Port of Los Angeles Call for Projects - On March 2, 2016, the Harbor Department released a Call for Projects to Port tenants inviting them to submit projects to be included in the Harbor Department's Project proposal. The Harbor Department received project proposals from the following tenants: Millennium Maritime, a subsidiary of Harley Marine Services (Millennium); APM Terminals; Eagle Marine Services, LLC (Eagle Marine); and TraPac. The Harbor Department combined all of the tenant's proposals to request \$3,106,314 to replace and/or repower 31 pieces of older equipment with 2015 model year or newer U.S. EPA certified engines throughout the Port. Table 1 provided below contains a breakdown of the requested funding for the initial proposal.

Table 1: Initial Proposed Grant Funded Equipment

Subrecipient	Equipment Type	Quantity	Total Cost	U.S. EPA Allocation	Subrecipient Cost Share
Millennium	Tugboat	3	\$2,318,908	\$927,564	\$1,391,344
APM Terminals	Top Pick	7	\$4,725,000	\$1,181,250	\$3,543,750
	Yard Tractor	16	\$2,720,000	\$680,000	\$2,040,000
Eagle Marine	Sweeper	1	\$242,000	\$60,500	\$181,500
TraPac	Heavy Lift	4	\$580,000	\$232,000	\$348,000
TOTAL		31	\$10,585,908	\$3,081,314	\$7,504,594

On April 14, 2016, an informational letter was provided to the Board containing the information above.

Funding Award - On June 8, 2016, the U.S. EPA offered a reduced preliminary grant award to the Harbor Department in the amount of \$800,000 instead of the requested \$3,106,314. As a result, the Harbor Department was required to downsize the original proposal to the equipment in Table 2 in order to fund the components of the Project with the maximum calculated annual health benefits.

Table 2: Revised Grant Funded Equipment

Subrecipient	Equipment Type	Quantity	Total Cost	U.S. EPA Allocation	Subrecipient Cost Share
APM Terminals	Yard Tractor	16	\$2,720,000	\$680,000	\$2,040,000
TraPac	Heavy Lift	2	\$290,000	\$116,000	\$174,000

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The annual health benefits from this Project are estimated at \$11,225,000 per year for Los Angeles County. The Project has estimated lifetime emission reductions of 322 tons of nitrogen oxides (NO_x) and 75 tons of diesel particulate matter (DPM). NO_x and DPM have been linked to several health concerns including cancer, asthma, and premature death. The projected reductions in harmful air pollutants will benefit the State of California's designated Disadvantaged Communities of San Pedro and Wilmington.

Cooperative Agreement - A Cooperative Agreement (Transmittal 1) was received from the U.S. EPA on September 29, 2016, which includes the terms, conditions, and requirements of accepting the U.S. EPA grant award. Modification No. 1 to the Cooperative Agreement was received from the U.S. EPA on September 30, 2016, to correct the total cost of the Project (Transmittal 2). Modification No. 2 to the Cooperative Agreement was received from the U.S. EPA on November 3, 2016, to update the EPA General Terms and Conditions, and to clarify Section N – Voluntary Cost-Share or Overmatch of the Programmatic Conditions (Transmittal 3). Acceptance of this grant commits the Harbor Department to act as grant administrator on behalf of the U.S. EPA for two projects; the replacement of 16 yard tractors at APM Terminals, totaling \$680,000, and the repowering of two heavy lift cargo handling equipment at TraPac, totaling \$116,000. The Harbor Department will be responsible for coordination of all Project record keeping and reporting (e.g., regarding project status, completion, and actual emission reductions) as required by the DERA funding program guidelines. The Harbor Department will receive the remaining \$4,000 of DERA funding to assist in covering costs associated with Harbor Department administrative efforts, resulting in a total of award amount of \$800,000.

Subrecipient Agreements - Subrecipient Agreements between the Harbor Department and APM Terminals for \$680,000 (Transmittal 4), and the Harbor Department and TraPac for \$116,000 (Transmittal 5), include the same terms and conditions as detailed in the U.S. EPA Cooperative Agreement and amendment, as well as standard Harbor Department contract terms. APM Terminals, TraPac, and the Harbor Department will work collaboratively to ensure that all grant conditions are met in accordance with the U.S. EPA grant and within the award period of October 2016 – October 2018.

ENVIRONMENTAL ASSESSMENT:

The proposed action is comprised of three Agreements: (1) a Cooperative Agreement between the Harbor Department and the U.S. EPA that covers conditions and requirements of the grant Project and the administrative functions relating to receiving funds under the DERA Funding Opportunity, (2) a Subrecipient Agreement between the Harbor Department and APM Terminals that covers the conditions and requirements of

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the grant Project, and (3) a Subrecipient Agreement between the Harbor Department and TraPac that covers the conditions and requirements of the grant Project.

The Subrecipients will use DERA funding to replace or repower existing diesel equipment to achieve emission reductions. Therefore, as an administrative activity related to the modification of mechanical equipment that are accessory to the use of an existing facility, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 1(32) of the City of Los Angeles CEQA Guidelines.

FINANCIAL IMPACT:

Staff requests that the Board accept and approve the U.S. EPA Cooperative Grant Agreement in the amount of \$800,000 to fund the Project, approve a Subrecipient Agreement with APM Terminals for \$680,000 to replace 16 yard tractors, and approve a Subrecipient Agreement with TraPac for \$116,000 to repower two heavy lift cargo handling equipment (Transmittal 6). The remaining balance of \$4,000 is reserved to offset Harbor Department costs to administer the grant.

The Harbor Department released a Call for Projects to Port tenants and applied for the grant based on the proposals received. As such, the Harbor Department will function as the grant administrator and will pass the funds to the subrecipients. The Harbor Department's financial responsibility is limited to staff time to manage the grant which is expected to be minimal.

There is no cost share required on the part of the Harbor Department. Cost share of 75% (\$2,040,000) is required by APM Terminals and a cost share of 60% (\$174,000) is required by TraPac. Total combined cost share requirement from the subrecipients is \$2,214,000. Any costs in excess of the awarded grant awards will be the responsibility of the Subrecipients. Operating and maintenance cost subsequent to Project completion will be the responsibility of the Subrecipients.

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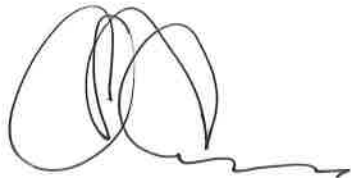
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CITY ATTORNEY:

The Office of the City Attorney has reviewed the EPA Cooperative Agreement and the modification and there are no legal issues at this time. The Office of the City Attorney has reviewed and approved the two subrecipient agreements as to form and legality.

TRANSMITTALS:

1. Cooperative Agreement with the U.S. Environmental Protection Agency
2. Modification No. 1 to Cooperative Agreement with the U.S. Environmental Protection Agency
3. Modification No. 2 to Cooperative Agreement with the U.S. Environmental Protection Agency
4. Subrecipient Agreement with APM Terminals Pacific LLC
5. Subrecipient Agreement with TraPac, LLC
6. Project List



CHRISTOPHER CANNON
Director of Environmental Management

FIS Approval: MB (initials)
CA Approval: MB (initials)



FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

CC:yo
AUTHOR: A. Coluso

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