



DATE: JANUARY 14, 2014

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL TO SUBMIT APPLICATIONS FOR FUNDING TO THE NATIONAL DIESEL EMISSION REDUCTION ACT ASSISTANCE PROGRAM

SUMMARY:

The Diesel Emissions Reduction Act (DERA) Assistance Program was created under the Energy Policy Act of 2005. DERA gives the United States Environmental Protection Agency (U.S. EPA) new grant and loan authority for promoting diesel emission reductions and authorizing appropriations. In December 2011, DERA grants were reauthorized for fiscal year (FY) 2012 through FY 2016. In the current solicitation, *US14488 Projects to Improve Air Quality at Ports FY 2013*, U.S. EPA is requesting proposals from public port authorities for projects that result in significant reductions of diesel emissions at marine and inland water ports. A total of up to \$2,000,000 per applicant is available through this solicitation. The City of Los Angeles Harbor Department (Harbor Department) intends to submit applications for funding for various tenant projects. Receipt of these grant funds would help the Harbor Department meet the goals of the San Pedro Bay Ports Clean Air Action Plan (CAAP) by facilitating retrofit or replacement of mobile port equipment to reduce diesel emissions. Applications are due February 13, 2014, with award notification expected to be made by March 28, 2014. The project period is expected to begin on May 1, 2014, with an estimated project completion deadline of September 30, 2016. The Harbor Department is seeking the ability to apply for and accept the U.S. EPA DERA funding.

RECOMMENDATION:

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

1. Authorize and direct the Executive Director to apply for funding from the Diesel Emission Reduction Act Assistance Program under Grant US14488 – Projects to Improve Air Quality at Ports - for the City of Los Angeles Harbor Department tenant projects;
2. Authorize and direct the Executive Director to negotiate, and return to the Board for approval, the Diesel Emission Reduction Act funding assistance agreements with

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the United States Environmental Protection Agency for Diesel Emission Reduction Act monies awarded to the City of Los Angeles Harbor Department; consistent with the provisions of this Board report and the United States Environmental Protection Agency Diesel Emission Reduction Act Request for Proposals, subject to approval of the City Attorney as to form and legality;

3. Authorize and direct the Executive Director to negotiate and return to the Board for approval agreements with the City of Los Angeles Harbor Department tenants regarding tenant projects awarded Diesel Emission Reduction Act funds, with no cost to the Harbor Department, consistent with the provisions of this Board report and the United States Environmental Protection Agency Diesel Emission Reduction Act Request for Proposals, subject to approval of the City Attorney as to form and legality; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - The U.S. EPA released a Request for Proposals (RFP) for Grant *US14488 Projects to Improve Air Quality at Ports FY 2013* on December 11, 2013. Approximately \$4,000,000 is available nationwide for projects that reduce diesel emissions at ports. Applicants may request up to \$2,000,000 in funding. In order to be eligible for funding, projects must be ready for immediate implementation with awarded funds expended by September 30, 2016. Public port authorities with jurisdiction over transportation or air quality at a marine or inland water port are eligible to apply for funding under this solicitation. Priority for funding under this program will go to projects that are the most cost-effective, reduce diesel emission exposure in areas designated as having poor air quality, and use community-based, multi-stakeholder, collaborative efforts to reduce toxic emissions. U.S. EPA expects to award between two and four projects under this solicitation.

Funding is available for clean diesel projects that use:

- Retrofit technologies that are verified or certified by either the U.S. EPA or the California Air Resources Board;
- Idle-reduction technologies for marine vessels and locomotives that are U.S. EPA-verified; and/or
- Early replacement and repower with certified engine configurations (for incremental costs only).

Funding is only available for diesel emission reduction solutions from the following heavy-duty diesel emission source types:

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- Drayage trucks;
- Marine vessels;
- Locomotives; or
- Non-road engines, equipment, or vehicles in the handling of cargo at a marine or inland water ports.

Based on the U.S. EPA funding priorities and eligible equipment, staff believes that the Port of Los Angeles (Port) tenants would be excellent candidates for funding under the DERA Assistance funding program. Receipt of these grant funds would help the Harbor Department meet the goals of the CAAP by facilitating retrofit or replacement of mobile port equipment to reduce diesel emissions.

General project categories established for this DERA funding opportunity and their associated applicant co-funding requirements are as follows:

- Engine upgrades: at least 60 percent of the cost
- Idle reduction technologies on locomotives: at least 60 percent of the cost
- Shore connection systems: at least 75 percent of the cost
- Certified engine repower: at least 60 percent of the cost
- Certified vehicle/equipment replacement - non-road diesel vehicle and equipment: at least 75 percent of the cost
- Certified vehicle/equipment replacement - drayage vehicle replacement: at least 50 percent of the cost
- Clean alternative fuel conversions: at least 60 percent of the cost

Public port authorities with jurisdiction over transportation or air quality at a marine or inland water port are eligible to apply for funding under this solicitation. The Harbor Department, through agreements with its tenants, may partner with tenants to seek DERA funding for tenant diesel emission reduction projects.

On December 17, 2013, Harbor Department staff sent tenants a Call-for-Projects requesting desired projects for this application. Potential projects expected to be requested by our tenants include cargo handling equipment replacement and/or retrofits. Depending on the nature of the project (replacement, repower, retrofit, etc.), the U.S. EPA will pay up to 50 percent of the total project cost. Any remaining balance will be the responsibility of the tenant with no financial contribution from the Harbor Department. Projects proposed by tenants will be evaluated and the most competitive, cost-effective projects (emissions reduced per grant amount requested) will be included in the application. All tenant proposals must include a letter of intent providing the required cost share match with their funding application.

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The U.S. EPA anticipates contacting applicants that received awards by March 28, 2014. Since DERA funded projects are required to be completed by September 30, 2016, expeditious processing of all related agreements will be essential to successful implementation of the projects.

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 Assistance funding program guidelines. The Harbor Department anticipates including a small amount, not to exceed two percent, of funding in its DERA funding request to cover the estimated cost associated with Harbor Department administrative efforts. No use of outside consultant time is anticipated to be employed for grant administration or tracking.

ENVIRONMENTAL IMPACT:

The proposed action is approval to apply for U.S. EPA DERA grant funding. This action is limited to authorization to apply for DERA grant funding and any projects that may result from award of such grant money would be subject to separate environmental review. Therefore, as an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The Harbor Department intends to include up to two percent of funding in its DERA funding application on behalf of Port tenants to offset budgeted Harbor Department administrative costs associated with grant-related coordination activities. As such, no use of outside consultants for grant coordination activities is anticipated to be employed by the Harbor Department. Projects that are not completed by the September 30, 2016 deadline will lose grant funding, and Port tenants awarded grants will continue to bear full responsibility for project costs, including cost share incurred. The Harbor Department will not incur any cost share or tenant project costs or operating and maintenance costs at any time during or after this process. Any agreements entered into under this program will require subsequent Board approval.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board report and finds it presents no legal issues at this time.

FIS Approval: WJ (initials)
CA Approval: JS (initials)

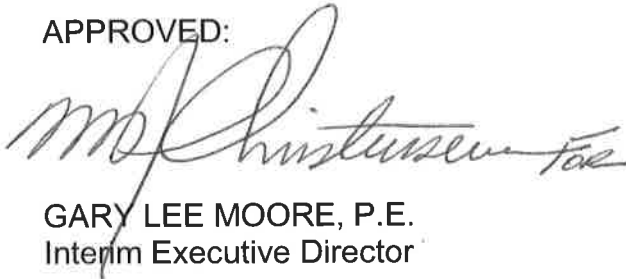


CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GARY LEE MOORE, P.E.
Interim Executive Director

AUTHOR: LISA WUNDER
BOARD MEETING: 01/23/2014

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