

DATE: JANUARY 4, 2021

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - GRANT ACCEPTANCE AND APPROVAL OF A COOPERATIVE AGREEMENT WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND APPROVAL OF SUBRECIPIENT AGREEMENT WITH UNION PACIFIC RAILROAD PURSUANT TO THE 2021 DIESEL EMISSIONS REDUCTION ACT FUNDING OPPORTUNITY

SUMMARY:

Staff requests acceptance and approval of a Cooperative Agreement with the U.S. Environmental Protection Agency (EPA) and approval of a Subrecipient Agreement with Union Pacific Railroad (UP) to replace one existing diesel Tier 0+ switch locomotive with one zero-emission (ZE) switch locomotive that utilizes battery electric technology. When placed into service, the ZE switch locomotive will operate at rail yards in the South Coast Air Basin, including a demonstration at UP's Intermodal Container Transfer Facility. The City of Los Angeles Harbor Department (Harbor Department) submitted an application requesting \$2,025,000 to fund the Zero Emission Switcher Locomotive Project (Project) under the EPA Diesel Emissions Reduction Act (DERA) Fiscal Year (FY) 2021 grant solicitation. The EPA awarded the Harbor Department the full grant award in the amount of \$2,025,000. The total Project cost is \$4,500,000, which includes the EPA grant and UP's \$2,475,000 cost share. The grant award allocates \$5,000 for Harbor Department staff time to manage the grant. The EPA and UP are financially responsible for all project costs. The Harbor Department is financially responsible for staff time in excess of the \$5,000 grant award that will be applied towards project management costs.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is administratively and categorically 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;
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 \$2,025,000;

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3. Approve the Subrecipient Agreement between the City of Los Angeles Harbor Department and Union Pacific Railroad in the amount of \$2,020,000 to replace one switch locomotive;
4. Authorize the Executive Director to execute, and the Board Secretary to attest to said Subrecipient Agreement for and on behalf of the Board; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On January 14, 2021, the EPA Office of Transportation and Air Quality released a grant solicitation for diesel emission reduction projects under the DERA for Funding Year 2021. Projects within EPA Region 9 (California, Arizona, Nevada, Hawaii, and Pacific Islands) were eligible to receive a maximum of \$4 million per awarded project under this grant solicitation. The solicitation provided funding to replace existing diesel engines or equipment with cleaner certified emission technologies.

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 55% subrecipient cost share is required to pay the difference between the cost of the equipment and the allocated grant funding.

Port of Los Angeles (Port) Call for Projects - On January 20, 2021, the Harbor Department sent a notice to Port tenants inviting them to submit projects to be included in the Harbor Department's Project proposal. UP's proposal was the most cost effective and suitable for the grant solicitation of the project proposals received. On March 16, 2021, the Harbor Department submitted a grant proposal to the EPA on UP's behalf. UP's project will replace one diesel Tier 0+ switch locomotive with a new ZE switch locomotive. UP will provide \$2,475,000 in cost share toward the Project. The table below contains a breakdown of the allocated funding for the Project.

Funding Award - On August 22, 2021, the EPA awarded the Harbor Department a grant in the amount of \$2,025,000.

Subrecipient	Equipment Type	Quantity	Total Cost	U.S. EPA Allocation	Subrecipient Cost Share
Union Pacific	Switch Locomotive	1	\$4,500,000	\$2,025,000	\$2,475,000

The Project has estimated lifetime emission reductions of 122 tons of nitrogen oxides (NO_x) and 4 tons of diesel particulate matter (DPM). This Project also has the added

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benefit of reducing carbon dioxide (CO₂) emissions that will help reduce the carbon footprint of rail switching operations in the South Coast Air Basin.

Cooperative Agreement - A Cooperative Agreement (Transmittal 1), which includes the terms, conditions, and requirements of accepting the EPA grant award, was received from the EPA on August 22, 2021. Acceptance of this grant commits the Harbor Department to act as grant administrator on behalf of the EPA for the replacement of one diesel Tier 0+ switch locomotive with a new ZE switch locomotive, totaling \$4,500,000 and for a term of three years. The Harbor Department will be responsible for coordination of all Project record keeping and reporting (e.g., project status, completion, and actual emission reductions) as required by the DERA funding program guidelines. The Harbor Department will receive \$5,000 of DERA funding to assist in covering costs associated with Harbor Department administrative efforts.

Subrecipient Agreement - The Subrecipient Agreement between the Harbor Department and UP for \$2,020,000 (Transmittal 2) includes the same terms and conditions as detailed in the EPA Cooperative Agreement, as well as standard Harbor Department contract terms. UP and the Harbor Department will work collaboratively to ensure that all grant conditions are met in accordance with the EPA grant and within the award period of October 2021 through October 2024.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of two Agreements to replace an existing diesel switch locomotive with a ZE switch locomotive: (1) a Cooperative Agreement with the EPA that covers conditions, requirements, and administrative functions relating to the grant and (2) a Subrecipient Agreement with UP that covers the conditions and requirements of the grant, which is an administrative activity and an activity involving modification of mechanical equipment which are accessory to the use of the existing facilities and involve negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of CEQA in accordance with Article II Section 2(f) and Article III Class 1(32) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Staff requests that the Board accept and approve the EPA Cooperative Grant Agreement in the amount of \$2,025,000 to fund the Project and approve a Subrecipient Agreement with UP for \$2,020,000 to replace one existing diesel Tier 0+ switch locomotive. The remaining balance of \$5,000 is reserved to offset Harbor Department costs to administer the grant. The Harbor Department's financial responsibility is limited to staff time to

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manage the grant, if the \$5,000 in grant funding allocated for Harbor Department costs is exceeded.

The Harbor Department will function as the grant administrator and will pass the funds to the subrecipient only after grant funds are received from the EPA. The Harbor Department will pay invoices received from UP. It is anticipated that funds to UP will be distributed as follows:

Fiscal Year 2021/22	\$0
Fiscal Year 2022/23	\$0
Fiscal Year 2023/24	\$2,020,000
Fiscal Year 2024/25	\$0

The Subrecipient Agreement requires a UP cost share of 55% (\$2,475,000). Any costs in excess of the awarded grant amounts will be the responsibility of the Subrecipient. Operation and maintenance costs subsequent to Project completion will be the responsibility of the Subrecipient.

CITY ATTORNEY:

The Office of the City Attorney has approved the Cooperative Agreement and Subrecipient Agreement as to form and legality.

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TRANSMITTALS:

1. Cooperative Agreement with the U.S. Environmental Protection Agency
2. Subrecipient Agreement with Union Pacific Railroad

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



CHRISTOPHER CANNON
Director of Environmental Management

Michael DiBernardo

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APPROVED:

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