

DATE: MARCH 15, 2022

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF THE PORT OF LOS ANGELES CLEAN TRUCK FUND SPENDING PLAN

SUMMARY:

Staff requests approval of the Clean Truck Fund (CTF) Spending Plan for the development and implementation of programs that will utilize funds collected under the CTF Rate. This proposed three-year plan is intended to guide the allocation of revenues from the CTF Rate to support incentives for zero-emission (ZE) trucks and infrastructure. This document establishes the near-term objectives of the CTF investments, describes priority targets for spending over the three-year span, and defines the pathways and programs that will be used to disseminate the funds. The specific details and terms of each distinct pathway will be brought to the Board of Harbor Commissioners for approval at a later date.

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 generally and statutorily exempt from the requirements of the California Environmental Quality Act (CEQA) under Sections 15061(b)(3) and 15262 of the State CEQA Guidelines;
2. Approve the Clean Truck Fund Spending Plan; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The CTP, one of the key components of the Clean Air Action Plan (CAAP), focuses on improving air quality in the ports of Los Angeles and Long Beach (Ports) by incentivizing the industry to replace older heavy-duty drayage trucks with lower emission heavy-duty drayage trucks. The CTP funded incentives, utilizing 2009-2011 Clean Truck Fees, for voluntary early state law compliance two years prior to the California Air Resources Board (CARB) Drayage Truck Rule deadline, which required Environmental Protection Agency 2007-compliant drayage trucks at all ports in the state

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on January 1, 2014. On November 2, 2017, the Ports adopted the 2017 CAAP Update, which includes further advancement of the CTP to help the industry phase out older trucks and transition to the CAAP goal of 100 percent ZE drayage trucks by 2035. In 2020, this same goal was proposed as a state law requirement in the CARB Advanced Clean Fleet (ACF) regulation rulemaking process.¹

One of the key CAAP strategies to achieve the ZE goal was the establishment of a CTF Rate, which will charge a rate to cargo owners or their authorized Agents on loaded containers hauled by drayage trucks at Port of Los Angeles (POLA) terminals, with exemptions for ZE and Low NO_x trucks. On March 9, 2020, the Ports adopted a Joint Resolution to set the amount of the CTF Rate at \$10 per twenty-foot equivalent unit (TEU) to be collected pursuant to a future tariff amendment to be developed for Board consideration. On May 20, 2021, the Board approved a contract with PortCheck LLC to develop a collection computer system, collect the CTF Rate from the cargo owners or their authorized Agents, and remit the CTF Rate revenues to the Harbor Department.

On June 17, 2021, the Board adopted a Roadmap Resolution that directed staff to take all feasible actions to accelerate deployment of ZE trucks in accordance with the 2017 CAAP Update's 2035 ZE drayage truck goal, and conduct robust stakeholder outreach to inform key design elements of the forthcoming CTF Rate Tariff No. 4 Amendment before making any recommendations. As a result, the Ports hosted two public stakeholder outreach workshops in 2021 to solicit feedback and recommendations on the development of specific implementation details of the Ports' CTF Rate and CTF spending plan. Staff presented a summary of the workshops to the public on October 19, 2021, during the CAAP Stakeholder Implementation Meeting and to the Board on October 21, 2021, through Executive Director Remarks.

On November 4, 2021, the Board approved an Amendment to Tariff No. 4 Section 20 Clean Air Action Plan, adding two new Item Nos. 2030 "Clean Truck Fund Rate" and 2035 "Clean Truck Fund." The Amendment authorizes the CTF Rate of \$10 per TEU (\$20 if length is more than 20 feet) charged to cargo owners or their authorized Agents for loaded containers entering and exiting POLA terminals by truck, with exemptions for ZE trucks and Low NO_x trucks, which will be effective on April 1, 2022. These recommendations were developed with due consideration of the stakeholder input described above. Resolution No. 21-9846 which adopted the new CTF Rate Tariff, also included approval of the CTF Rate Spending Plan priorities of 100% CTF Rate revenues for ZE trucks and related infrastructure, consistent with stakeholder input received during the development of the Tariff Amendment details.

¹ The proposed ACF Regulation will require all Class 7 and 8 drayage trucks operating at state intermodal seaports or railyards to be full zero-emissions by 2035. To achieve this target, CARB proposes that all new truck registrations that are added to CARB's statewide ports' and railyards' drayage truck registry shall be zero-emission starting sometime in 2023. <https://ww2.arb.ca.gov/our-work/programs/advanced-clean-fleets>. This concept, adopted as part of the proposed State's Mobile Source Strategy on October 28, 2021, will be considered by the CARB Board for adoption in 2022.

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CTF Rate Revenues Spending Plan - Staff is requesting approval of the initial CTF Spending Plan covering the first three years of revenues, 2022-2025 (Transmittal 1). Consistent with Resolution No. 21-9846, the Spending Plan commits all funds collected under the CTF Rate to be spent exclusively on the development and deployment of ZE trucks and supporting infrastructure. The Spending Plan describes various pathways in general terms and provides an initial funding allocation to each pathway. Specific details of each pathway will be developed and presented for Board consideration individually in the future. Funding allocations may change by Board resolution, depending on issues such as stakeholder input and future state and federal regulations.

Spending Plan Pathways – The proposed Spending Plan describes the following pathways for further development:

- **Port of Los Angeles Truck Vouchers:** This pathway will be designed to complement CARB’s successful Hybrid and ZE Truck and Bus Voucher Incentive Project (HVIP), which provides first-come, first-serve, point-of-sale vouchers for ZE trucks. CTP Rate funds will be used to help Licensed Motor Carriers in the Ports Drayage Truck Registry purchase ZE drayage trucks in order to increase the number of ZE trucks beyond what would be funded under HVIP alone. This process will be managed by a third party.
- **Small Fleet Support Program:** In previous stakeholder outreach efforts, a clear need for programs dedicated to the support of small fleets and independent owner-operators (IOOs) has been repeatedly articulated to the Harbor Department. Large scale “one size fits all” programs may unintentionally disadvantage smaller companies without the internal capacity necessary to participate in complicated grant approval processes. As such, staff proposes to select a third-party administrator, through a competitive process, to develop and implement a targeted program in support of small fleets and IOOs.
- **Infrastructure Match Program:** This pathway would provide funds to help drayage Licensed Motor Carriers install or obtain charging and/or fueling infrastructure. The program will be modeled off existing federal, state, and local grant programs and managed by a third-party administrator selected through a competitive process.
- **Advanced Truck Technologies and Innovative Concepts:** These two related pathways will provide an opportunity for the Harbor Department to fund targeted ZE truck projects on a flexible basis, similar to the Harbor Department’s ongoing efforts under the successful Technology Advancement Program (TAP). Staff will request funding allocations for specific projects either selected through a competitive process, such as a Request for Proposal or Notice of Funding Availability, or proposed directly to the Harbor Department.

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Allocation Process – Staff will develop an annual report and recommendation, guided by the proposed Spending Plan to allocate CTF Rate revenues to the specific incentive pathways. CTF Rate revenues are based on the volume of containers moved by trucks subject to the CTF Rate, and as such, will vary from year to year. No later than June of each year, the Harbor Department will estimate the amount of CTF Rate revenue anticipated in the subsequent fiscal year. This number is a projection only, and actual revenues may be higher or lower than the projection. The Board will adopt an overall budget for the ZE Truck Incentives Program based on the projected CTF Rate revenues as part of the Harbor Department’s annual budgeting process, typically in June of each year.

Within that same timeframe, Harbor Department staff will present to the Board a report that summarizes the previous year’s actions. The presentation will include the total CTF Rate funds collected and spent over the previous year; the total number of trucks funded under CTF programs; a summary of any targeted funding solicitations or technology advancement projects initiated or in progress; and both participant and stakeholder feedback. Staff will describe the proposed annual budget for each ZE Truck Incentive pathway consistent with the three-year investment plan and the total CTF budget approved by the Board.

Once the annual budget is set, funds will be expended according to the guidelines for each pathway. Disbursement of incentive dollars for specific project(s) will require contracts or other agreements subject to Board approval. For planning purposes, staff proposes the following structure for future allocations, which will be subject to Board approval through the annual process described above:

Anticipated Three-Year Funding Priorities for ZE Truck Incentives

	FY 22-23		FY 23-24		FY 24-25	
	Dollars	% Total	Dollars	% Total	Dollars	% Total
Truck Vouchers	\$40 million	89%	\$35 million- \$45 million	80%-100%	\$25 million- \$35 million	60%-80%
Infrastructure Match	-	-	up to \$10 million	up to 20%	up to \$10 million	up to 20%
Small Fleet Support	-	-	\$4.5 million- \$10 million	10%-20%	\$4.5 million- \$10 million	10%-20%
Advanced Truck Technologies	\$5 million	11%	up to \$4.5 million	up to 10%	up to \$4.5 million	up to 10%
Innovative ZE Truck Concepts	-	-	up to \$4.5 million	up to 10%	up to \$4.5 million	up to 10%

Note: This table is for relative prioritization only. Percentages may not add up to 100%, and the total annual funding allocations may exceed \$45 million.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the CTF Spending Plan for the development and implementation of programs that will utilize funds allocated under the CTF Rate, which is an activity where it can be seen with certainty that there is no possibility of a significant adverse effect on the environment and a planning study for a possible future action. Therefore, the Director of Environmental Management has determined that the proposed action is generally and statutorily exempt from the requirements of CEQA in accordance with Sections 15061(b)(3) and 15262 of the State CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the Spending Plan guides the allocation of revenues from the CTF Rate to support incentives for zero-emission trucks and infrastructure. This document establishes the near-term objectives of the CTF investments, describes priority targets for spending over the three-year span, and defines the pathways and programs that will be used to disseminate the funds. There is no financial impact in approving this Board item.

CITY ATTORNEY:

The Office of the City Attorney has reviewed this report and has determined that the proposed action does not raise any legal issues at this time.

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TRANSMITTAL:

1. Port of Los Angeles Clean Truck Fund Spending Plan

FIS Approval: MB
CA Approval: JC



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