

DATE: FEBRUARY 4, 2025

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - SECOND AMENDMENT TO AGREEMENT NO. 22-9856 WITH CALSTART, INC. FOR ADMINISTRATION OF THE PORT OF LOS ANGELES ZERO-EMISSION TRUCK VOUCHER INCENTIVE PROGRAM

SUMMARY:

Staff requests approval of a proposed Second Amendment to Agreement No. 22-9856 (Agreement) with CALSTART, Inc. (CALSTART) for the administration of the Port of Los Angeles (Port) Zero-Emission (ZE) Truck Voucher Incentive Program (Voucher Incentive Program). Approval of the proposed Second Amendment will streamline payment processing, update the Port Voucher Incentive Agreement Form, and extend the agreement by two years for a total of five years. The City of Los Angeles Harbor Department (Harbor Department) will continue to be financially responsible for payment of all expenses related to Agreement No. 22-9856.

RECOMMENDATIONS:

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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Second Amendment to Agreement No. 22-9856 with CALSTART, Inc.;
3. Direct the Board Secretary to transmit said Amendment to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5(a) of the Los Angeles Administrative Code;
4. Authorize the Executive Director to execute and Board Secretary to attest to said Amendment for and on behalf of the Board; and
5. Adopt Resolution No. _____.

DATE: FEBRUARY 4, 2025

PAGE 2 OF 5

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DISCUSSION:

Background and Context - Clean Air Action Plan – On November 2, 2017, the Ports of Los Angeles (Port) and Long Beach adopted the 2017 Clean Air Action Plan (CAAP) Update, which includes further advancement of the Clean Truck Program (CTP) to help the trucking industry phase out older trucks and transition to the CAAP goal of ZE drayage trucks by 2035. As a result of the successful CTP efforts over the years, air emissions from trucks operating at the Port have been reduced by 98% for diesel particulate matter (DPM), 83% for nitrogen oxides (NO_x), 92% for sulfur oxides (SO_x), and 16% for greenhouse gases (GHGs) compared to 2005.

Clean Truck Fund Rate and Spending Plan – An important element in the 2017 CAAP Update was the establishment of a Clean Truck Fund (CTF) Rate, which charges a rate of \$10 per twenty-foot equivalent unit or \$20 per container longer than 20 feet to cargo owners or their authorized agents on loaded containers hauled by drayage trucks at Port terminals, with exemptions for ZE and Low NO_x trucks.

The Harbor Department started collecting the CTF Rate in April 2022 and has collected approximately \$113 million through November 2024. Per the Port Tariff and as detailed in the CTF Spending Plan, approved by the Board in March 2022, all CTF Rate funds will be used exclusively to pay for incentive programs to replace port drayage trucks with ZE trucks, and to pay for associated ZE infrastructure as needed. The CTF Spending Plan outlines several potential pathways to allocate and spend the CTF, including via the development and implementation of a Voucher Incentive Program.

Voucher Incentive Program – On March 24, 2022, the Board approved Agreement No. 22-9856 with CALSTART to administer the Harbor Department's Voucher Incentive Program. The Voucher Incentive Program builds on a voucher program managed by CALSTART on behalf of CARB by distributing money to truck owners to incentivize the purchase of ZE trucks that serve the Port. The Voucher Incentive Program helps lower the cost of ZE trucks to be comparable with the cost of diesel trucks, by allowing stacking with the CARB program to provide a large enough incentive for local drayage operators. Among other requirements, trucks funded by the Voucher Incentive Program must be registered in the Port Drayage Truck Registry and have a minimum number of truck trips to the Port each year. Also truck operators must complete an annual survey. The agreement earmarked up to \$40 million toward truck vouchers.

On September 12, 2022, the Harbor Department released an initial \$5 million solicitation for the Voucher Incentive Program, with vouchers available in amounts up to \$150,000.

On September 7, 2023, the Board approved the First Amendment to Agreement No. 22-9856-A, which made various modifications, including an option for the Harbor Department to front-fund an escrow account with CALSTART in the amount of \$4 million to be used to pay Harbor Department truck vouchers as they are redeemed by

DATE: FEBRUARY 4, 2025

PAGE 3 OF 5

SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. 22-9856 WITH CALSTART, INC. FOR THE ZERO-EMISSION TRUCK VOUCHER INCENTIVE PROGRAM

First Amendment also required CALSTART to return to the Harbor Department any funds remaining in the escrow account that are not committed for a voucher payment at the time of expiration or termination of the Agreement. However, it was subsequently determined that an escrow account was not feasible, so the front-funded escrow account was never established, and the Harbor Department did not make the associated advance payment to CALSTART. In addition, the First Amendment allowed Harbor Department vouchers to stack on top of CARB HVIP vouchers. On November 9, 2023, the Harbor Department released a \$30 million solicitation that stacked Port vouchers in the amount of \$75,000, or \$100,000 for small fleet operators, on top of CARB HVIP vouchers. Later, the remaining funding in the Agreement was released to CALSTART for vouchers due to the large uptake of Port truck vouchers. As of January 15, 2025, vouchers for 309 ZE trucks worth \$25.05 million have been reserved, and 91 ZE trucks worth \$7.35 million have been redeemed. There is still approximately \$7 million in unallocated funding left for vouchers as of the end of January 2025.

Proposed Second Amendment – The proposed Second Amendment (Transmittal 1) will provide the following changes:

- Extend the Agreement by an additional two years to March 24, 2027, for a total term of five years from the date of execution
- Require that Voucher incentive funding be held in an interest-bearing account, rather than an escrow account, and require any accumulated interest to be used towards the funding of more truck vouchers
- Update and clarify the Port Voucher Incentive Program Voucher Agreement, attached as Exhibit A, Attachment 3 to the Second Amendment at Transmittal 1

As summarized above, when the Agreement ends, any accrued and unspent interest will be returned along with any remaining funds to the Harbor Department. This method of transferring funds to CALSTART will ensure payment of funds to the truck vendor in a timely manner.

The Second Amendment revises the Voucher Incentive Program Voucher Agreement (Transmittal 1, Exhibit A, Attachment 3) to add terms and conditions for lessees, a signature block for lessees and administrative clarity on the amount of funding per voucher.

No additional funding will be added at this time. CARB did not provide funding for Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program (HVIP) vouchers for 2025 that the Harbor Department has historically supplemented. Harbor Department staff will work with CALSTART staff on more detailed requirements and forms to be updated with the Harbor Department ZE Voucher Incentive Program to have standalone vouchers from CARB HVIP while still using the established HVIP electronic infrastructure and vendor network that CALSTART has set up already. These updates to the Harbor Department

DATE: FEBRUARY 4, 2025

PAGE 4 OF 5

SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. 22-9856 WITH CALSTART, INC. FOR THE ZERO-EMISSION TRUCK VOUCHER INCENTIVE PROGRAM

network that CALSTART has set up already. These updates to the Harbor Department ZE Voucher Incentive Program and a request for additional funding will be brought to the Board at a later date.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Second Amendment to Agreement No.22-9856 with CALSTART for the Harbor Department ZE Voucher Incentive Program, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed Second Amendment streamlines the payment process without any change to the original Agreement amount of \$40,000,000. Therefore, the proposed Second Amendment will not have a financial impact on the Harbor Department. Fiscal Year 2024/25 funds in the amount of \$5,000,000 have been appropriated towards the Voucher Incentive Program and are available within Account 562015 (Clean Truck Program Subsidies), Division 42010 (Environmental Management). CALSTART does not receive any compensation from the Harbor Department for their performance of administrative oversight services required by the Agreement.

CITY ATTORNEY

The Office of the City Attorney has reviewed and approved the proposed Second Amendment as to form and legality.

DATE: FEBRUARY 4, 2025

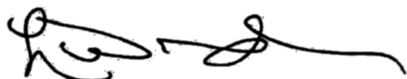
PAGE 5 OF 5

SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. 22-9856 WITH CALSTART, INC. FOR THE ZERO-EMISSION TRUCK VOUCHER INCENTIVE PROGRAM

TRANSMITTALS:

1. Second Amendment to Agreement No. 22-9856

FIS Approval: JS
CA Approval: JC



LISA WUNDER
Acting Director of Environmental Management

Michael DiBernardo

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APPROVED:

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File Name: Y:_ADMIN_BOARD REPORTS_AIR QUALITY\CTP\CALSTART ZE Truck Voucher\CALSTART - AM2\Environmental_CALSTART ZE Truck Voucher Incentive Program Amend 2 Board Report - FINAL.docx
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