



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 9, 2011

FROM: ENVIRONMENTAL MANAGEMENT DIVISION

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A GRANT AGREEMENT WITH SEASIDE TRANSPORTATION SERVICES, LLC. UNDER THE PORT OF LOS ANGELES AIR QUALITY MITIGATION INCENTIVE PROGRAM

SUMMARY:

In December 2007, the Board of Harbor Commissioners (Board) awarded an Air Quality Mitigation Improvement Program (AQMIP) Grant Agreement in the amount of \$875,000 to Seaside Transportation Services, LLC. (STS) located in Terminal Island, California to retrofit 14 rubber-tired gantry cranes (RTG) with California Air Resources Board (CARB) Level III diesel particulate filters (DPFs). However, since the date of award, the DPF technology has not been verified by CARB and, therefore, STS has been unable to begin the retrofits. No grant funds have been disbursed, pursuant to the initial agreement. Due to the lack of verified technology for the DPFs, STS has requested that \$350,000 of the grant be reallocated to retrofit 14 top picks with CARB-verified Level II emission control technologies (Project). STS has also requested that the remaining \$525,000 be held in abeyance and applied to the RTG retrofit project if and when the DPF technology is verified. A second agreement will be brought to the Board for consideration when the DPF technology is verified and the originally approved project can be completed.

As Agreement 2662 is due to expire on August 10, 2011, the City of Los Angeles Harbor Department (Harbor Department) elected to terminate and cancel the Agreement 2662 per Section VI, Paragraph A of said agreement (Transmittal 1) and request that the Board authorize and approve a new Agreement (Transmittal 2). Retrofitting the top picks with CARB-verified Level II emission control technologies is expected to reduce Particulate Matter (PM) emissions by 0.70 tons per year, which is a greater emissions reduction than estimated pursuant to the originally approved project.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Ratify the action by the Director of Environmental Management to terminate Agreement No. 2662 under which no grant funds were disbursed, no expenses incurred, nor services performed;

DATE: JUNE 9, 2011

PAGE 2 OF 4

SUBJECT: GRANT AGREEMENT W/SEASIDE TRANSPORTATION SERVICES

2. Approve the three-year Air Quality Mitigation Improvement Program Grant Agreement between the Harbor Department and Seaside Transportation Services, LLC., in the not-to-exceed amount of \$350,000 for 14 top pick retrofits;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement for and on behalf of the Board;
4. Authorize staff to negotiate a three-year Air Quality Mitigation Improvement Program Grant Agreement between the Harbor Department and Seaside Transportation Services, LLC., in the not-to-exceed amount of \$525,000 to retrofit RTGs; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background - In accordance with the 2004 Amended Stipulated Judgment (ASJ) between the Natural Resources Defense Council et al. and the City of Los Angeles (City), the Harbor Department established the AQMIP and committed nearly \$30 million to pay for air quality mitigation projects. These projects would either (1) reduce diesel PM and oxides of nitrogen (NOx) emissions from Port of Los Angeles (Port) operations in the communities of San Pedro and Wilmington, or (2) develop emission reducing technologies that may be applied throughout the San Pedro Bay. Although the AQMIP preceded the San Pedro Bay Ports Clean Air Action Plan (CAAP), the projects funded support the emission reduction goals of the CAAP.

Project Information - In December 2007, STS was awarded a grant under the AQMIP in an amount not-to-exceed \$875,000 to retrofit 14 RTGs with CARB-verified Level III DPFs. On August 11, 2008, the Harbor Department entered into Agreement No. 2662 with STS to fund the project. Agreement No. 2662 required that the equipment be retrofitted by August 2009; however, STS has been unable to implement the project because the DPF has still not been verified by CARB.

STS has requested that \$350,000 of the unspent grant funds be applied to retrofit 14 top picks with CARB-verified Level II emission control technologies. It was estimated that the original project would result in 0.57 tons of PM reduced per year. Retrofitting the 14 top picks is expected to reduce PM emissions by 0.70 tons per year. STS has also requested that the remaining grant funds of \$525,000 be used to retrofit RTGs with Level III DPFs when the technology is verified, which is estimated to occur later this year. The production costs for the DPFs are currently unknown and therefore the number of DPFs that can be purchased with the remaining balance cannot be determined at this time. The agreement for the RTG retrofits will be brought to the Board for approval when the technology is verified.

DATE: JUNE 9, 2011

PAGE 3 OF 4

SUBJECT: GRANT AGREEMENT W/SEASIDE TRANSPORTATION SERVICES

In order to move forward with the new Project, Agreement No. 2662 has been terminated and an agreement to retrofit 14 top picks has been prepared.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an Agreement with STS to retrofit 14 top picks with Level II emission control technologies that will reduce PM emissions by approximately 0.70 tons per year and support the emission reduction goals of the CAAP. The Director of Environmental Management has determined that the proposed action involves the addition of environmental protection devices for use in conjunction with mechanical equipment and is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(6) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Retrofit spending of \$350,000 is estimated to support the 7.4 one-year-equivalent full-time jobs.

FINANCIAL IMPACT:

The total grant award for the original project was \$875,000. For the agreement which is currently being considered by the Board to retrofit 14 top picks, the grant amount is \$350,000. This entire amount is expected to be spent in fiscal year 2011/12. The remaining \$525,000 to be used for RTGs will be part of a separate agreement to be brought to the Board for consideration at a later time.

As of May 4, 2011, the unencumbered balance of the AQMIP is \$5,586,039 out of the initial AQMIP balance of \$29,000,000 established in accordance with the 2004 ASJ (to date \$16,324,660 has been spent, leaving a balance of \$12,675,340, of which \$7,089,301 is committed and \$5,586,039 is the unencumbered balance). Upon approval of Agreement to retrofit 14 top picks, \$350,000 within the \$7,089,301 committed amount will be spent. As discussed above, the remaining committed \$525,000 from the original project total of \$875,000 will be used at a later date upon Board approval and will further draw down the committed amount. There will be no additional commitment of AQMIP funds that would affect the current balance. Funds for FY 2011/2012 in the amount of \$350,000 are available in Account 21951, Center No. 7000, Program 000 for the proposed 14 top pick retrofits. Ongoing operating and maintenance costs associated with the top picks will be borne by STS.

DATE: JUNE 8, 2011

PAGE 4 OF 4

SUBJECT: GRANT AGREEMENT W/SEASIDE TRANSPORTATION SERVICES

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved as to form and legality the proposed Agreement.

TRANSMITTALS:

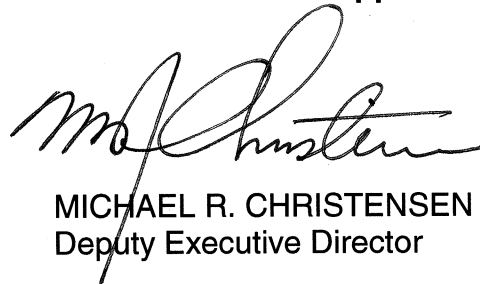
1. Letter Terminating Agreement #2662 between the Harbor Department and Seaside Transportation Services, LLC.
2. Proposed Agreement between the Harbor Department and Seaside Transportation Services, LLC.

FIS Approval: ej

CA Approval: rn

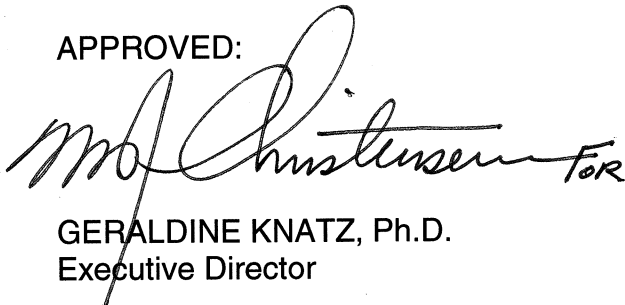


CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

AUTHOR: RENE SPENCER
BOARD MEETING: 6/16/2011

FILE: G:\ADMIN\BOARD REPORTS\AIR QUALITY\CHINA SHIPPING ASJ COMPLIANCE\AQMP\SEASIDE TRANSPORTATION SERVICES\STS - FINAL.docx

UPDATED: 6/8/2011 10:28 AM - YO