

DATE: AUGUST 28, 2023

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - FIRST 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 First Amendment to Agreement No. 22-9856 (First Amendment) with CALSTART, Inc. (CALSTART) for the administration of the Port of Los Angeles (Port) Zero-Emission (ZE) Truck Voucher Incentive Program (Voucher Incentive Program). The First Amendment would allow incentive funding to be combined (or “stacked”) with the California Air Resources Board (CARB) Hybrid and Zero-Emission Voucher Incentive Project (HVIP) and other incentive funding sources. In addition, the First Amendment will streamline payment processing. The City of Los Angeles Harbor Department (Harbor Department) will continue to be financially responsible for all expenses related to the agreement.

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 First Amendment to Agreement No. 22-9856 with CALSTART, Inc.;
3. Authorize the Executive Director to execute and Board Secretary to attest to said amendment for and on behalf of the Board of Harbor Commissioners; and
4. Adopt Resolution No. _____.

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DISCUSSION:

Background and Context - Clean Air Action Plan – On November 2, 2017, the Ports of Los Angeles and Long Beach (Ports) 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, which aligns with a requirement in the recently passed CARB Advanced Clean Fleet Regulation. 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 is 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 \$50 million through June 2023. 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.

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 is a key component of the spending plan for distribution of collected CTF Rate funds. The Voucher Incentive Program distributes 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. Among other requirements, trucks funded by the Voucher Incentive Program must be registered in the Port Drayage Truck Registry, have a minimum number of truck trips to the Port each year, and truck operators must complete an annual survey.

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. By January 2023, only four applicants applied to the Voucher Incentive Program for a total of 26 trucks. The low participation rate for the truck vouchers may be caused by a number of factors, including lack of available truck charging infrastructure, increased costs of ZE trucks, and the low supply of available ZE trucks from vendors.

Proposed First Amendment – The First Amendment (Transmittal 1) does not add any additional funds to the Agreement and the term remains three years, with an expiration date of April 10, 2025.

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In recent months, the Harbor Department staff met with staff from the Port of Long Beach, CALSTART and CARB to discuss the low participation rate for the Voucher Incentive Program. Staff from these agencies agreed that combining, or stacking, the Port's Voucher Incentive Program funding on top of eligible existing CARB HVIP vouchers and future HVIP vouchers may increase participation rates. The Voucher Incentive Program will stack up to \$75,000 from the Harbor Department and \$150,000 from HVIP funds for a total value up to \$225,000 to be used toward the purchase base price of a CARB-approved ZE Class 8 truck, not including taxes and fees. Small fleets, as defined in CARB's implementation guidelines, will receive an additional \$25,000 from the Harbor Department for a total value of up to \$250,000 towards the purchase base price of the ZE Class 8 truck. The Harbor Department's Voucher Incentive Program funding may be used for trucks receiving incentive funding from other federal, state (including other CARB funding programs), or local government funding sources, as may be allowed by HVIP and other program funding source guidelines. These updates have all been incorporated into the CALSTART scope of work (Transmittal 2, Exhibit A, First Amendment).

To prevent current CARB HVIP voucher holders from canceling their existing vouchers in order to apply for new vouchers to receive additional stacking funds now available, the Voucher Incentive Program will be eligible to stack on additional funding on existing HVIP vouchers. HVIP participants with voucher awards made prior to approval of the proposed First Amendment will be eligible for additional Harbor Department funding in the amounts of \$75,000 or \$100,000 (for small fleet applicants) so long as the ZE truck has not been delivered to the authorized vendor. Port of Long Beach (POLB) also plans to stack their own voucher incentive program funding in a similar manner. The two ports will evenly split stacking on the existing and future eligible HVIP vouchers. At this time, POLB funding will not be combined with Harbor Department funding in order to fund more ZE trucks.

To prevent current Harbor Department voucher holders from canceling their vouchers received during the initial application period, the funding for each existing voucher will be increased up to a total amount of \$225,000 or \$250,000 (for a small fleet applicants). These September solicitation Harbor Department vouchers will not stack with HVIP vouchers and will be fully paid for by Harbor Department funding.

In the event that CARB HVIP funding is exhausted during any funding year, the Harbor Department retains the ability to provide standalone vouchers. Under the Agreement, the Executive Director has authority to issue vouchers up to \$300,000. However, due to the rising cost of ZE trucks and the addition of hydrogen trucks on the HVIP eligible ZE truck list, the proposed First Amendment will increase the Executive Director's authorization to issue vouchers up to \$400,000 when CARB HVIP funding has been fully utilized during any funding year.

During the initial program period to date, Harbor Department staff determined that the Agreement's Voucher Incentive Program Payment Form delayed the processing of

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invoices and was duplicative of the Voucher Incentive Program Request Form that applicants filled out at the beginning of the application process. The First Amendment revises the Voucher Incentive Program Request Form into a Voucher Incentive Program Voucher Agreement (Transmittal 3, Exhibit A, Attachment 3). The Voucher Incentive Program Payment Form will no longer be required as part of the program.

In addition, Harbor Department staff found that the payment of funds for the vouchers took a significant amount of time, upwards to two months. Vendors would have to wait for final payment by the Harbor Department to release the ZE truck to the purchaser. To resolve this situation, the First Amendment authorizes the Harbor Department to front-fund an account with the CALSTART in the amount of \$4,000,000 to be used to pay Harbor Department truck vouchers as they are redeemed by truck vendors. Additional funds may be periodically transferred to CALSTART based on approved Program Voucher Agreements to maintain the flow of payments to vendors, however in no event will the pre-funding exceed the larger amount of either \$5,000,000 or 15% of the total remaining Agreement funding. This method of transferring funds to CALSTART will ensure a more timely payment of funds to the truck vendor. The First Amendment also requires CALSTART to return to the Harbor Department any funds remaining in the account that are not committed for a voucher payment at the time of expiration or termination of the Agreement.

In summary, the First Amendment will modify the Agreement by:

- Approving stacking Voucher Incentive Program funding on HVIP vouchers or other incentive funding for
 - Up to \$75,000 per ZE truck for fleets not categorized as small fleets per HVIP definitions; and
 - Up to \$100,000 per ZE truck for fleets categorized as small fleets per HVIP definitions;
- Increasing the Executive Director's authority to approve funding ZE truck vouchers up to \$400,000 when CARB HVIP funds for any funding year has been exhausted;
- Revise the Voucher Incentive Program Request Form and renaming it Voucher Incentive Program Voucher Agreement;
- Remove the Voucher Incentive Program Payment Request Form; and
- Establish and fund a payment account with CALSTART to distribute Harbor Department funds when Harbor Department vouchers are redeemed by vendors.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the First Amendment to Agreement No.22-9856 with CALSTART for the Port ZE Voucher Incentive Program, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the

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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 First Amendment increases the amount paid for vouchers and streamlines the payment process without any change to the original Agreement amount of \$40,000,000. Therefore, the proposed Amendment will not have a financial impact on the Harbor Department. Fiscal Year 2023/24 funds in the amount of \$5,000,000 have been appropriated towards the Voucher Incentive Program and are available within Account 59966 (Clean Truck Program Subsidies), Center 0330, Program 000. CALSTART does not receive any compensation 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 First Amendment as to form and legality.

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TRANSMITTALS:

1. First Amendment to Agreement No. 22-9856
2. Exhibit A, First Amendment - CALSTART Scope of Work
3. Exhibit A, Attachment 3 - Voucher Incentive Program Voucher Agreement

FIS Approval: MB

CA Approval: SO



CHRISTOPHER CANNON
Director of Environmental Management

Michael DiBernardo

MICHAEL DIBERNARDO
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APPROVED:

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