



To: Gene Seroka, Executive Director, Port of Los Angeles
 CC: Theresa Adams-Lopez, Port of Los Angeles
 From: Meghan Reese, HCBF Executive Director
 Date: October 6, 2022
 Subject: Air Quality Mitigation Fund, Grantee Performance and Fund Balance Report

SUMMARY

In accordance with Resolution 21-9929, dated November 4, 2021, Harbor Community Benefit Foundation (HCBF) is the administrator of the Independent Air Quality Mitigation Fund (AQMF). A Memorandum of Agreement (MOA) between the parties, in effect for 5 years, ends in May 2026. As of August 31, 2022 the trust fund had approximately \$4.3 million available for Port of Los Angeles-related emissions reduction projects and programs, subject to the concurrent approvals of HCBF and the Harbor Department (Port) Board of Harbor Commissioners.

The MOA requires an annual report to the Port and Petitioners for proposals and grants. The MOA authorizes up to 10 percent (10%) of approved annual grants for administrative costs to HCBF.

With this report, \$191,050 in undisbursed grant funds will become available for future project and program funding, **for a new total of \$4,468,000 (rounded).**

BACKGROUND

In 2018 HCBF announced the availability of grant funding for projects reasonably calculated to reduce POLA-related air emissions, with a majority of funds to be spent towards demonstration or implementation of zero emissions technologies, near-zero emissions technologies, and/or emission reduction technologies. Projects funded by the AQMF must demonstrate achievable and quantifiable emissions reduction in San Pedro and Wilmington, within a 25-mile boundary of the San Pedro Bay. In accordance with the MOA, in consultation with the Port and Petitioners the administrator developed award criteria.

AQMF ROUND 1 STATUS REPORT

In November 2019, jointly approved by HCBF and by the Board of Harbor Commissioners, a grant in the amount of \$823,050 was awarded to Effenco Development, Inc. "Effenco" for rapid deployment of the electric active STOP-START technology system, intended to provide zero-emission operation of yard tractors when equipment is idling. This technology was being tested at the Yusen Terminal.

The original Grant Contract Term was from December 1, 2019 through May 31, 2020.

Disbursement Schedule:

Disbursement #1: Paid within 30 days of executed agreement			
Amount	Period End Date	Disbursement Date	Deliverables and Comments
\$316,000	Signed Agreement	Dec. 31, 2019	Completed. Payment received 12/12/2019 (Jan 2020 update email)

Disbursement #2: Paid within 30 days following the activation of the 1st five trucks and reception of...			
Amount	Period End Date	Disbursement Date	Status
\$316,000	November 30, 2020	Dec. 31, 2020	Completed (modified after M1 report)

Effenco was granted an extension on October 9, 2020. Performance issues began in early 2021, including failure to communicate, failure to submit timely reporting, lack of follow-through on contract, failure to deliver units, and malfunctions of equipment.

Disbursement #3: After mid-term in-use demonstration			
Amount	Period End Date	Disbursement Date	Status
\$95,525	May 30, 2021		DENIED / Mid-term in-use demonstration report not received
Disbursement #4: After completion of one-year period			
Amount	Period End Date	Disbursement Date	Status
\$95,525			DENIED Contract expired February 28, 2022.

GRANTEE PERFORMANCE ISSUES

In addition to the deliverables listed above, Effenco was required to submit *monthly updates* and Milestone Reports via email to HCBF Staff. The required updates were considered crucial to monitor project status and delays during the constantly changing situation in 2020 and 2021, attributed in part to impacts from the Covid-19 pandemic.

Specific details include:

- Mandatory reports were not submitted on time. HCBF Staff sent multiple reminders to elicit a response.
- Incomplete Reports - Grantee did not provide all requested information, requiring HCBF's technical consultant additional time to review materials and request more information.
- Limited communication from Effenco project managers.
- Equipment Failures: Only 2 out of the 16 units are currently operational, however, there is no data being tracked and Effenco is not providing any servicing of the equipment.
- Defects: YTI has possession of the equipment, however, the remaining 14 units are in and out of service due to defects and lack of general maintenance. Effenco is not replacing parts or servicing. YTI is attempting to keep the equipment operational as long as they can.

In January 2022, Effenco sent an updated midterm report coupled with 1) a request to reduce the original deliverables and 2) a request to substantially increase the total grant.

HCBF Staff reviewed the project performance concerns with the AQMF ad-hoc committee, the AQMF technical consultant, and HCBF legal counsel. Due to lack of performance, HCBF denied disbursement of the 3rd (\$95,525) and 4th (\$95,525) installments. HCBF counsel was subsequently informed that Effenco had filed for bankruptcy in Canada and that they were no longer communicating with project partners.

Due to current circumstances with Effenco Development Inc. **HCBF has allowed the contract to lapse without further extension, and determined installments 3 and 4 in the amount of \$191,050 shall be used in future AQMF projects and programs.**

AQMF TRUST FUND SUMMARY

The trust fund is Managed by the California Community Foundation. The following table provides inception to date contributions, withdrawals, and investment activity.

AIR QUALITY MITIGATION FUND RECAP through 08/31/2022		
Port Funds Contributed to AQMF (2017)		4,976,944
Grant Round 1		(823,050)
Uncommitted Funds (Balance Sheet as of 12/31/2021)		4,153,894
Trust Fund Investment Activity inception to 08/31/2022		
California Community Foundation		
Investment Management Fee paid to (CCF) 2017 thru 08/31/2022	(120,532)	
Interest & Dividends 2017 through 08/31/2022	384,997	
Unrealized Loss / Mkt Value Change thru 08/31/2022	(58,636)	
Net Investment Activity thru -8/31/2022		205,829
HCBF Administration (10%) per MOA		(82,305)
Available Balance as of 8/31/2022		4,277,418
Unused Funds for Terminated Grant		191,050
ADJUSTED Available Balance with market activity thru 08/31/2022		4,468,468

AQMF ROUND 2 STATUS

HCBF is currently reviewing applications for Round 2 of the Air Quality Mitigation Fund program. A panel of external experts have reviewed the applications and HCBF staff, the internal review committee, and AQMF technical consultant anticipate making recommendations to the HCBF Board of Directors in the fall of 2022, based on necessary follow up with potential candidates.

REQUEST TO HARBOR DEPARTMENT

HCBF requests that the Harbor accept and file this annual report, in satisfaction of the requirement of the MOA, acknowledging the undisbursed \$191,050 in Air Quality Mitigation funds shall be applied to **future AQMF projects and programs.**

FISCAL IMPACT STATEMENT

The independent financial manager of the AQMF is California Community Foundation (CCF). As of this report, the available trust fund balance equals \$4,277,418 (reconciled, unaudited). With this report, \$191,050 in undisbursed grant funds will become available for future project and program funding, **for a new total of \$4,468,468.**

There is no impact on the Harbor Revenue Fund. There is no impact on the City General Fund.