

DATE: MAY 25, 2021

FROM: ENVIRONMENTAL MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ - PORT OF LOS ANGELES
CLEAN TRUCK PROGRAM CONCESSION AGREEMENT**

SUMMARY:

Staff requests approval of the proposed new 2021-2026 Clean Truck Program (CTP) Concession Agreement (Agreement), authorize the Executive Director to execute concession agreements with each licensed motor carrier (LMC), approve a reduced Concession Fee from \$2,500 to \$1,000 for any LMC who entered into their current concession agreement after September 2019, and waive the Annual Truck Registration Fee of \$100 for any zero-emission truck. All of the existing concession agreements are due to expire on September 30, 2021. The City of Los Angeles Harbor Department (Harbor Department), with input from stakeholders, has prepared the new five-year proposed Agreement that contains terms and conditions for LMCs to provide drayage services at Port of Los Angeles (Port) terminals.

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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines;
2. Approve the Port of Los Angeles Clean Truck Program Concession Agreement;
3. Authorize the Executive Director, or his Designee, to execute the Port of Los Angeles Clean Truck Program Concession Agreements with individual licensed motor carriers on the Board-approved form and authorize the Board Secretary to attest to said Concession Agreements, for and on behalf of the Board;

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4. Approve a reduced Concession Fee of \$1,000 (discount of \$1,500) under the new Port of Los Angeles Clean Truck Program Concession Agreement, for all licensed motor carriers that entered into the 2014-2021 Drayage Services Concession Agreement with the City of Los Angeles Harbor Department between October 1, 2019, to September 30, 2021;
5. Approve waiving the Annual Truck Registration Fee of \$100 for zero-emission trucks registered in the Port Drayage Truck Registry; and
6. Adopt Resolution No._____.

DISCUSSION:

Background/Context – One of the most notable and successful strategies contained in the original joint Ports of Los Angeles and Long Beach (Ports) Clean Air Action Plan (CAAP) was the CTP, which led the trucking industry to replace the existing fleet of trucks that provided drayage services at the Ports with cleaner trucks. The CTP has reduced truck diesel particulate matter emissions by 97 percent in the Port and surrounding communities from the 2005 baseline emissions. In order to accomplish this achievement, the Harbor Department established a Concession Program and developed a Concession Agreement that specifies conditions for LMCs to provide drayage services at Port terminals. The Concession Agreement establishes a contractual relationship between the Harbor Department and the Concessionaires (a LMC that obtains a concession to provide drayage services at the Port), and is designed to facilitate achievement of the Harbor Department's environmental, operational, safety and security objectives. Concessionaires are responsible for compliance with all laws applicable to drayage operations, including operating trucks that meet state and federal emission and safety standards, and vehicle maintenance, insurance, security, and safety laws.

The latest Concession Agreement was approved by the Board in July 2014, and was extended an additional two years in May 2019. There are approximately 1,200 active Concession Agreements that no matter when they were executed, are set to expire on September 30, 2021. Staff has developed a new proposed Agreement (Transmittal 1) that will cover the next five-year period, from October 1, 2021, through September 30, 2026.

Stakeholder Outreach – As stakeholders have been essential to the success of the CTP to date, in order to inform the various groups on plans for the proposed Agreement update, as well as to provide the groups with an opportunity to ask questions and offer comments and concerns, Harbor Department staff met separately with trucking

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associations, air agencies, and labor groups. Additionally, staff held one virtual public workshop on March 17, 2021. Approximately 100 people attended the virtual meeting. Attendees included representatives from trucking companies, community groups, advocacy groups and regulatory agencies.

During the workshop and comment period, the CTP received praise for the air quality benefits and the Port's effort to streamline the concession agreement process. The following common concerns and recommendations were also noted:

- Close coordination of truck programs with the Port of Long Beach (POLB) in order to maintain efficiency within the San Pedro Bay was suggested. Staff has and will continue to coordinate with the POLB in development of the two Ports' CTPs, agreements with LMCs and on aspects of the CTP, including issues raised by commenters during this outreach period.
- Some recommended that the \$2,500 Concession Fee, required at the time a new Agreement is submitted, be waived for Concessionaires that paid the \$2,500 fee for more recent sign-ups since September 30, 2019. Staff recommends maintaining the full Concession Fee amount, because it contributes to partial cost recovery for the Concession Program over the 5-year agreement term, but also recommends offering a discount for those that have purchased a concession within the two-year amendment period of October 1, 2019, to September 30, 2021. It is recommended that Concessionaires who have paid a \$2,500 Concession Fee any time after September 30, 2019, be charged a reduced Concession Fee for the new proposed Agreement of only \$1,000. Up to 454 trucking companies, mostly small businesses, would benefit from this recommendation, with a loss in revenues of up to \$681,000 to the Harbor Department.
- Currently there is a required Annual Truck Registration Fee of \$100 for all trucks in the CTP. It was suggested that this fee should be waived for low NOx and zero-emission (ZE) trucks during the life of the Concession Agreement. Harbor Department staff has found that enacting this waiver for ZE trucks would have a minor reduction in funding the operation of the CTP, and would act as a low-cost incentive for early adoption of cleaner technology. Thus, staff proposes waiving the Annual Truck Registration Fee for ZE trucks in the Port Drayage Truck Registry (PDTR) for this proposed Agreement.
- Requests were made to increase the \$1,000,000 insurance requirement to some higher amount; although no specific level was recommended. The current insurance level is consistent with City of Los Angeles (City) requirements and

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Intermodal Association of North America (IANA) and Uniform Intermodal Interchange Agreement (UIIA) requirements. Staff recommends retaining the current insurance level as it complies with the City requirements, a level that all Concessionaires have complied with since 2008 through today. Staff will continue to monitor any updates to insurance requirements for future consideration.

- Some requested that the new proposed Agreement include language on the enforcement of specific federal and state regulations and proposed future regulations. The current Concession Agreement contains a requirement that trucks must comply with local, state and federal regulations, including safety, security, environmental and employment requirements. This includes all laws, rules and regulations adopted by governmental agencies and enforced during the concession agreement period. Since compliance with all laws is required, staff recommends no changes to specify only certain regulations in the proposed Agreement.
- There was a request to remove trucks from the PDTR for inactivity. LMCs who have a current Concession Agreement and have paid their Annual Truck Registration Fees are legally entitled to visit as frequently or not, as their business dictates. Staff recommends no changes.

The Harbor Department will continue to work with stakeholders in the coming years and be responsive to any concerns as they arise.

New Concession Agreement – The updated proposed Agreement is designed to continue achieving the environmental, operational, safety and security objectives established past Concession Agreements, and has been streamlined for ease of use by LMCs and port administrator.

The proposed Agreement contains the following key provisions:

- Pay a Concession Fee of \$2,500 for a five-year term
- Maintain a valid Motor Carrier License
- Be a corporation in “good standing” with the Secretary of State of California (domestic and other state companies different requirements)
- Maintain general liability and automobile liability insurance of \$1,000,000 throughout the entire term of the agreement, naming the City as Additional Insured
- Comply with Port Tariff requirements
- Comply with all applicable federal, state and municipal laws applicable to the drayage trucking business

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- Submit a Truck maintenance plan, comply with State Basic Inspection of Terminals requirements, and ensure the vehicle is properly maintained
- Pay the Annual Truck Registration Fee of \$100 for each truck
- Same City of Los Angeles contracting requirements from past concession agreements

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the updated Port of Los Angeles Clean Truck Program Drayage Services Concession Agreement to reduce the Concession Fee for LMCs and waive the Annual Truck Registration Fee for ZE trucks, which is an activity establishing or modifying a rate, fee or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Agreement will authorize the Executive Director to execute Clean Truck Program Concession Agreements with individual licensed motor carriers servicing the Port from 2021 through 2026.

The Harbor Department will continue to collect annual fees in the amount of \$100 per truck from each of the estimated 18,300 trucks signed up in the Concession Program. However, under the proposed Agreement, the \$100 annual fee will be waived for zero-emission trucks. Staff estimates that approximately 30 zero-emission trucks are currently registered within the PDTR. Waiving the \$100 annual fee for these zero-emission trucks is initially expected to result in \$3,000 in lower annual fee revenues with revenue losses increasing as more zero-emission trucks enter the industry fleet.

In addition, the Harbor Department will continue to collect Concession Fees in the amount of \$2,500 at the time a new Agreement is submitted by a Concessionaire, and these Concession Fees would permit the Concessionaire to operate over a five-year period. However, under the proposed Agreement, the \$2,500 fee would be reduced to \$1,000 for those Concessionaires that have purchased a concession within the two-year amendment period of October 1, 2019 through September 30, 2021. Based upon an estimated 454 Concessionaires who paid a Concession Fee after September 2019, the reduced fee would result in \$681,000 in lower concession fee revenues relative to the

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amount of fees that would have otherwise been paid had the reduced rate not been offered.

Staff anticipates that approval of the proposed Agreement, net of the aforementioned waivers and fee reductions, would result in approximately \$2 million in annual revenues.

CITY ATTORNEY:

The Office of City Attorney has reviewed and approved the subject Agreement as to form and legality.

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TRANSMITTAL:

1. Proposed Clean Truck Program Concession Agreement

FIS Approval: MB
CA Approval: SO



CHRISTOPHER CANNON
Director of Environmental Management

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APPROVED:

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