



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: DECEMBER 4, 2014

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL TO SUBMIT APPLICATIONS FOR FUNDING TO THE NATIONAL DIESEL EMISSION REDUCTION ACT ASSISTANCE PROGRAM

SUMMARY:

The Diesel Emissions Reduction Act (DERA) Assistance Program was created under the Energy Policy Act of 2005. DERA gives the United States Environmental Protection Agency (EPA) grant and loan authority to promote diesel emission reductions and authorize appropriations to grant recipients. In December 2011, DERA grants were reauthorized for fiscal year (FY) 2012 through FY 2016. In the current solicitation, *Projects to Improve Air Quality at Ports - 2014 DERA Funding Opportunity*, the EPA is requesting proposals from public port authorities for projects that result in significant reductions of diesel emissions at marine and inland water ports. A total of up to \$2,000,000 per applicant is available through this solicitation. The City of Los Angeles Harbor Department (Harbor Department) intends to submit an application for funding a tenant project at SA Recycling. Receipt of these grant funds would help the Harbor Department meet the goals of the San Pedro Bay Ports Clean Air Action Plan (CAAP) by facilitating the replacement of mobile port equipment to reduce diesel emissions. Applications are due December 11, 2014, with award notification expected to be made by February 2015. The project period is expected to begin on April 1, 2015, with an estimated project completion deadline of March 31, 2017. The Harbor Department is requesting approval to submit a proposal for the EPA DERA grant funds, to enter into an agreement to accept the grant (if awarded), and to enter into subrecipient agreements to distribute the grant funds for the tenant project at SA Recycling. The Harbor Department's financial responsibility is limited to staff administrative costs associated with submitting grant applications, which the Harbor Department is authorized to offset with up to two percent of the funding received from the DERA Assistance Program.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Authorize and direct the Executive Director to apply for funding from the United States Environmental Protection Agency's *2014 Diesel Emissions Reduction Act Funding Opportunity* for the City of Los Angeles Harbor Department tenant project;

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2. Authorize and direct the Executive Director to negotiate and approve, and the Board Secretary to attest to, agreements associated with the receipt and administration of the Diesel Emissions Reduction Act funding awarded to the City of Los Angeles Harbor Department; consistent with the provisions of this Board report and the United States Environmental Protection Agency Diesel Emission Reduction Act Request for Proposals, subject to approval of the City Attorney as to form and legality; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – In January 2014, the Board authorized staff to apply for grant funding pursuant to the EPA's 2013 DERA funding opportunity. The application requested \$469,000 to assist SA Recycling and APM Terminals in funding 14 equipment retrofit projects. The Harbor Department was awarded the full funding request and those retrofit projects are currently underway and are expected to be complete by December 2015.

In September 2014, the EPA released a Request for Proposals (RFP) for Grants entitled, *Projects to Improve Air Quality at Ports – 2014 DERA Funding Opportunity*. Approximately \$5,000,000 is available nationwide for projects that reduce diesel emissions at ports. Applicants may request up to \$2,000,000 in funding. In order to be eligible for funding, projects must be ready for immediate implementation with awarded funds expended by March 31, 2017. Public port authorities with jurisdiction over transportation or air quality at a marine or inland water port are eligible to apply for funding under this solicitation. Priority for funding under this program will go to projects that are the most cost-effective, reduce diesel emission exposure in areas designated as having poor air quality, and use community-based, multi-stakeholder, collaborative efforts to reduce toxic emissions. The EPA expects to award between two and four projects under this solicitation.

A summary of projects that the EPA will fund and expected cost share levels are as follows:

- Verified Exhaust Control Technologies: EPA will fund up to 100% of the cost of eligible verified exhaust control technologies.
- Verified/Certified Engine Upgrades: EPA will fund up to 40% of the cost (labor and equipment) of eligible engine upgrades.
- Verified Idle Control Technologies:
 - Verified Locomotive Idle Reduction Technologies: EPA will fund up to 40% of the cost of eligible idle reduction technologies on locomotives.

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- Verified Marine Shore Connection Systems: EPA will fund up to 25% of the cost of eligible shore connection systems.
- Certified Engine Repower: EPA will fund up to 40% of the cost (labor and equipment) of an eligible engine repower.
- Certified Vehicle/Equipment Replacement:
 - Non-road Diesel Vehicles and Equipment Replacement: EPA will fund the incremental cost of a newer, cleaner vehicle or piece of equipment powered by a model year 2013 or newer certified non-road diesel engine, up to 25% of the cost of an eligible replacement vehicle or piece of equipment.
 - Drayage Truck Replacement: EPA will fund up to 50% of the cost of eligible drayage trucks with a 2011 model year or newer heavy-duty engine.
- Clean Alternative Fuel Conversions: EPA will fund up to 40% of the cost (labor and equipment) of an eligible clean alternative fuel conversion.

Funding is only available for diesel emission reduction solutions from the following heavy-duty diesel emission source types:

- Drayage trucks;
- Marine vessels;
- Locomotives; and
- Non-road engines, equipment, or vehicles in the handling of cargo.

Based on the EPA funding priorities and eligible equipment, staff believes that the Port of Los Angeles (Port) tenants would be excellent candidates for funding under the DERA Assistance Program. Receipt of these grant funds would help the Harbor Department meet the goals of the CAAP by facilitating retrofit or replacement of mobile port equipment to reduce diesel emissions.

Public port authorities with jurisdiction over transportation or air quality at a marine or inland water port are eligible to apply for funding under this solicitation. The Harbor Department, through agreements with its tenants, may partner with tenants to seek DERA funding for tenant diesel emission reduction projects.

In November 2014, Harbor Department staff sent tenants a Call-for-Projects requesting projects for this application. The only potential project that was submitted is the purchase of an electric crane to replace an existing diesel crane at SA Recycling. The EPA will fund a percentage of the project. Any remaining balance will be the responsibility of the tenant with no financial contribution from the Harbor Department. The Harbor Department intends to request \$1,321,000 which is 25 percent of the total cost to replace one crane at SA Recycling. Our application will include a letter of intent from SA Recycling stating that they will provide the required cost share of \$3,936,000.

The EPA anticipates contacting applicants that receive awards by February 2015. Typically, the grantees are expected to enter into an agreement shortly after the award

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is announced and projects must begin by April 1, 2015. Therefore, it is requested that the Board authorize the Executive Director to enter into, and the Board Secretary to attest to, grant agreements with the EPA and the subrecipients. Attached, as samples, are a previous DERA grant agreement between the Harbor Department and the EPA (Transmittal 1) and a subrecipient agreement (Transmittal 2). Agreements resulting from this grant request will be in substantially the same form as these samples.

The Harbor Department will be responsible for coordination of all project record keeping and reporting (e.g., regarding project status, completion, and actual emission reductions) as required by the DERA Assistance Program guidelines. The Harbor Department anticipates including a small amount, not to exceed two percent, of funding in its DERA funding request to cover the estimated cost associated with Harbor Department administrative efforts. No use of outside consultant time is anticipated to be employed for grant administration or tracking.

ENVIRONMENTAL IMPACT:

The proposed action is approval to apply for the EPA DERA grant funding. This action is limited to authorization to apply for DERA grant funding and any projects that may result from award of such grant money would be subject to separate environmental review. Therefore, as an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The Harbor Department intends to include up to two percent of funding in its DERA funding application to offset budgeted Harbor Department administrative costs associated with grant-related coordination activities. As such, no use of outside consultants for grant coordination activities is anticipated to be employed by the Harbor Department. Projects that are not completed by the March 31, 2017 deadline will lose grant funding, and Port tenants awarded grants will continue to bear full responsibility for project costs, including cost share incurred. The Harbor Department will not incur any cost share or tenant project costs or operating and maintenance costs at any time during or after this process.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

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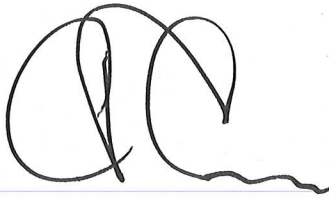
SUBJECT: APPLICATION FOR FUNDING TO THE NATIONAL DIESEL EMISSION
REDUCTION ACT ASSISTANCE PROGRAM

CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board report and finds it presents no legal issues at this time.

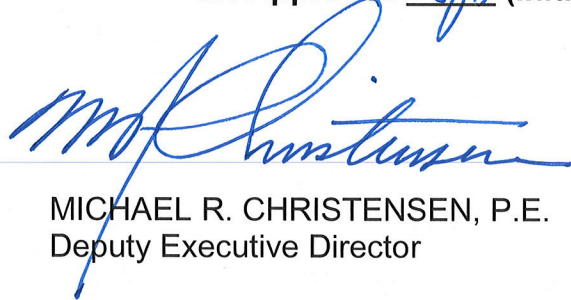
TRANSMITTALS:

1. Sample Agreement between the EPA and the City of Los Angeles Harbor Department
2. Sample Subrecipient Agreement between the City of Los Angeles Harbor Department and tenant



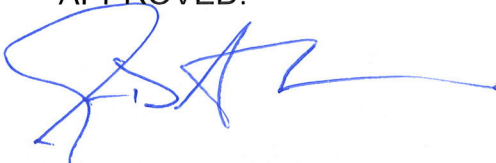
CHRISTOPHER CANNON
Director of Environmental Management

FIS Approval:  (initials)
CA Approval:  (initials)



MICHAEL R. CHRISTENSEN, P.E.
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

AUTHOR: TERESA PISANO
BOARD MEETING: 12/11/2014

FILE: Y:_ADMIN_BOARD REPORTS_AIR QUALITY\2014 DERA Grant\ENV_DERA APPLICATION - FINAL.docx
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