



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

Board of Harbor Commissioners

DATE: NOVEMBER 7, 2018

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT, THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT AND THE PORT OF LONG BEACH FOR THE FUNDING OF THE EARLY ADOPTER TRUCK INCENTIVE PROGRAM

SUMMARY:

Staff requests that the Board of Harbor Commissioners (Board) approve a Memorandum of Understanding (MOU) between the City of Los Angeles Harbor Department (Harbor Department), the South Coast Air Quality Management District (SCAQMD), and the Port of Long Beach (POLB). The MOU is an agreement between the three parties to each provide \$2,000,000 toward assisting truck operators in the purchase of new low-nitrogen oxide (NO_x) natural gas drayage trucks. These funds will be combined with \$8,000,000 in grant funding awarded to the SCAQMD by the California Energy Commission (CEC). In total, \$14,000,000 will be made available to truck operators at the ports of Los Angeles and Long Beach (Ports) and throughout the South Coast Air Basin to purchase up to 140 trucks. The administration of the funding will be managed by SCAQMD. The Ports have recently updated their Clean Truck Programs (CTP) to reduce heavy-duty drayage truck-related air pollution in the region by turning over the existing drayage trucking fleet to the newest and cleanest trucks. As part of an Early Adopter Incentive Program (Program), this MOU is an initial effort to provide funding toward the purchase of lower emission drayage trucks in Port service. The Harbor Department is financially responsible for \$2,000,000 under this Board action.

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 administratively and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

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2. Approve a Memorandum of Understanding between the City of Los Angeles Harbor Department, the South Coast Air Quality Management District, and the Port of Long Beach that sets forth the terms and conditions of the parties' funding and administrative obligations;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement with the South Coast Air Quality Management District and the Port of Long Beach for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The CTP, one of the key components of the joint San Pedro Bay Ports' Clean Air Action Plan (CAAP), focuses on improving air quality in the Ports by replacing older polluting heavy-duty drayage trucks with the cleanest available heavy-duty drayage trucks. On November 2, 2017, the Los Angeles and Long Beach Boards adopted the 2017 CAAP Update, which includes further advancing the CTP to phase out older trucks and transitioning to the goal of zero-emission trucks by 2035.

On January 26, 2018, CEC released a grant solicitation to fund existing or planned incentive programs managed by California Air Districts under the Alternative and Renewable Fuel Vehicle Technology Program California Air District Natural Gas Vehicles Solicitation. SCAQMD, in coordination with the Harbor Department and POLB, applied for the grant solicitation proposing to develop a program to assist truck owners in purchasing low-NO_x natural gas drayage trucks for freight operations in Southern California (Program). SCAQMD, the Harbor Department and POLB each agreed to request \$2,000,000 from their respective Boards as matching fund contributions to support the Program. In March of 2018, CEC notified the SCAQMD that the Program was selected and had received a preliminary grant award offer in the amount of \$8,000,000 contingent upon Board resolutions committing the SCAQMD, Harbor Department and POLB to provide \$2,000,000 each for a total of \$6,000,000 in proposed matching funds. The total combined amount of grant funding from all of the parties will be \$14,000,000.

Early Adopter Incentive Program – The Program is designed to incentivize a wide-scale deployment of low-NO_x¹ on-road heavy-duty drayage and freight movement trucks throughout the Southern California Air Basin. The engines for these trucks were recently certified by the U.S. Environmental Protection Agency to be 90% cleaner with respect to NO_x than the cleanest trucks on the road today. The average cost of a low-NO_x drayage truck is about \$200,000. Since these trucks are more expensive than a typical new

¹ Meets or exceeds the optional low NO_x emissions standard of 0.02 g/.bhp-hr.

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drayage truck, which costs around \$150,000, the CEC, SCAQMD, Harbor Department and POLB plan to provide \$100,000 toward the purchase of each of these newer and cleaner trucks. As a result, a successful Program will incentivize 140 trucks to enter the drayage and freight movement market over the next couple of years. The incentive funds will be administered by SCAQMD through an application process using criteria set forth in the "Proposition 1B: Goods Movement Emission Reduction Program Final 2015 Guidelines for Implementation." Truck owners that apply for the grant funding will be required to scrap their existing truck in order to receive money toward the purchase of the new low-NO_x natural gas drayage truck. As stated in the MOU (Transmittal 1), SCAQMD will disburse money provided by the Harbor Department to a current owner of a drayage truck listed in the Ports Drayage Truck Registry under a valid Port of Los Angeles Clean Truck Concession Agreement (grantee) that has agreed to replace their existing Drayage Truck with a qualifying low-NO_x natural gas drayage truck. Additionally, SCAQMD will include a grantee reporting requirement to confirm operation in the Ports. Harbor Department staff will review all grant documentation prior to the disbursement of any fund money.

Similarly, SCAQMD will disperse the \$2,000,000 provided by POLB to trucks servicing the Ports. For the remaining \$10,000,000 in funding (\$2,000,000 from AQMD and \$8,000,000 from CEC), SCAQMD will prioritize the disbursement for low-NO_x drayage truck trucks that are registered in the Ports Drayage Truck Registry (PDTR). Both the existing Drayage Trucks and the replacement Low NO_x, Natural Gas Drayage Trucks must be registered in the Ports Drayage Truck Registry. SCAQMD will submit the Vehicle Identification Numbers (VINs) for these trucks to the Ports and the Ports shall conduct PDTR checks and provide SCAQMD with the results within 10 business days of receipt of the VINs. Applications for non-Port heavy-duty trucks serving the Southern California Air Basin will only be considered when there are no applications for Port-specific drayage trucks available.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an MOU between the Harbor Department, SCAQMD, and POLB toward assisting truck operators in the purchase of new low NO_x natural gas drayage trucks, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the 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.

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FINANCIAL IMPACT:

This Board action supports the 2017 Clean Air Action Plan Update Early Adopter Truck Incentive Program. The Harbor Department funds of \$2,000,000 will be combined with \$12,000,000 in grant funding (\$8,000,000 from CEC, and \$2,000,000 each from SCAQMD and POLB) for aggregate program funding of \$14,000,000. This aggregate level of funding will support existing truck owners in purchasing up to 140 new low-NOx natural gas drayage trucks. The \$2,000,000 in Harbor Department funds will be applied towards the purchase of twenty new low-nitrogen oxide (NO_x) natural gas drayage trucks.

The table below summarizes the total cost and funding commitments by all participants:

Participants	CEC Funds	Match Funds	TOTAL
SCAQMD	\$8,000,000	\$2,000,000	\$10,000,000
LAHD		\$2,000,000	\$2,000,000
POLB		\$2,000,000	\$2,000,000
TOTAL:	\$8,000,000	\$6,000,000	\$14,000,000

It is anticipated that the \$2,000,000 allocated for this Project will be expended in Fiscal Year 2019/20.

Funds for this project will be will be requested through the annual budget adoption process for Fiscal Year 2019/20. The request to fund this MOU will increase the Environmental Management Division's Operational budget by \$2,000,000.

CITY ATTORNEY:

The Office of the City Attorney has approved as to form and legality, the MOU.

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TRANSMITTAL:

1. Memorandum of Understanding

FIS Approval: MB
CA Approval: CB



CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA ^{FOR}
Executive Director

CC/yo
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