

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 4B
Date of Meeting August 14, 2018

DATE: August 1, 2018

TO: Managing Members, The Northwest Seaport Alliance

FROM: John Wolfe, Chief Executive Officer

Sponsor: Jason Jordan, Director, Environmental and Planning Services

Project Managers: Sara Cederberg, Environmental Senior Project Manager, and Nicola Graham, Environmental Analyst II

SUBJECT: Authorization to enter into an ILA with Washington State Department of Ecology to accept Grant Award from Clean Diesel Grant for Clean Truck Fund

A. ACTION REQUESTED

As referenced in NWSA Resolution No. 2016-04, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.b.i. requires authorization from Managing Members to enter into an ILA with another public agency.

Request authorization for NWSA CEO or his delegate to enter into an Interlocal Agreement (ILA) with Washington State Department of Ecology (Ecology) to receive a Clean Diesel Grant in the amount of \$234,000, for the Clean Truck Fund, Master Identification No. 201050.02.

B. SYNOPSIS

This project will provide monetary incentives to truck owners who scrap their old trucks (MY 1994-2007) and purchase a compliant 2007+ truck to continue to enter NWSA international container terminals after December 31, 2018.

Scrap incentives will supplement the difference between trade-in value and the value of the scrap metal for a scrapped truck. A truck may be worth more to trade-in than to scrap and therefore truck owners need an incentive to scrap their older trucks. The \$234,000 of Ecology grant funding will supplement the difference between the trade-in and scrap value for approximately 39 truck owners enrolled in the Clean Truck Fund and remove approximately 1.2 tons of PM2.5 annually. This process ensures the older trucks are scrapped and are not simply moving the pollution elsewhere.

C. BACKGROUND

The Clean Truck Program requires all trucks serving the international container terminals to have a 2007 engine or newer or equivalent verified emission controls after December 31, 2018. In June 2018, 62% of the trucks met the standard.

Truck numbers have been tracked over different time scales and therefore the dataset is a different size each time and makes comparison difficult. Note that beginning in May, the cameras at PCT are down while during RFID reader installation and PCT is not included. It is unlikely there is a significant number of trucks only serving PCT. In June 61.5% of trucks (2,216 trucks) were compliant with the Clean Truck Program.

Time Range	Number of Compliant Trucks	Total Number of Trucks	% Compliant
July – Aug 2017	2,111	4,281	49%
Sept – Oct 2017	2,106	4,076	52%
Nov – Dec 2017	2,216	4,149	53%
Jan – Mar 2018	2,444	4,388	56%
April 2018	2,177	3,732	58%
May 2018	2,415	3,807	63%
June 2018	2,216	3,602	62%

As approved by the Managing Members at the June 5, 2018, meeting, the Clean Truck Fund will provide a level of loan loss security to qualified lenders that will ensure market rate loans are provided to truck owners serving marine terminals so that those owners can replace their older trucks and purchase trucks with 2007 and newer engines, in compliance with the goals of the Northwest Ports Clean Air Strategy and the NWSA Clean Truck Program.

The Clean Truck Fund will provide at least 500 qualified truck drivers equal access to market rate truck loans by providing a loan loss reserve for Community Development Financial Institutions (CDFIs) who meet NWSA criteria. Loans issued through the program will be pegged to market rate interest and loan terms. The Clean Truck Fund is currently \$2,425,000, including grants from the State of Washington, the Puget Sound Clean Air Agency and contributions from NWSA. If the NWSA enters into this ILA with the Department of Ecology, the \$234,000 grant would be added to the Fund.

The State of Washington grant for \$1.2M included in the fund requires that for any loans backed by those dollars, the noncompliant truck owned by the recipient must be scrapped. Recipients of these bonuses (this ILA request) will be enrolled in the Clean Truck Fund, and the loan loss reserve for their loan will be from the \$1.2M from the State. NWSA staff will confirm scrapping requirements have been met before the driver can take possession of the compliant truck.

Many drivers use their trucks as collateral for down payments on a new truck and scrap values are significantly less than this trade-in value. In the past, NWSA and the home ports have offered scrapping grants to fund up to 50% of the replacement cost of the new truck. This grant will be different. To meet the requirement for the Ecology-backed loans, and avoid shifting older, polluting trucks to other places, these funds will supplement the difference between trade-in value and the value of the scrap metal for a scrapped truck. For example, if a 2001 Freightliner is worth \$12,000 in trade-in value, but only \$3,000 in scrap metal, this grant would give the truck owner a voucher for the difference (\$9,000), up to \$10,000.

Approximately \$500,000 total was available under this grant for projects within three eligible project categories:

1. Idle reduction projects using fuel-fired heaters

2. Marine shore power systems for harbor vessels
3. Scrap incentives for heavy-duty on-road vehicles and buses

The NWSA applied for the third category in June 2018 and was notified of award July 17, 2018. Awards for scrap incentives will be limited to a maximum amount of \$10,000 per scrapped vehicle.

Assuming an average voucher of \$6,000 (the average trade-in value of \$8,865 minus the value of the scrap metal), at least 39 trucks could be scrapped, resulting in a 96% reduction in PM2.5 equating to over 1.2 tons of PM2.5 removed per year, or nearly 17 tons over the remaining life of the vehicles.

D. FINANCIAL SUMMARY

NWSA Clean Truck Fund	
Funding Source	Contribution
WA State Department of Ecology – VW State Fund	\$1,200,000
NWSA	\$1,000,000
WA State Clean Diesel Grant (this request)	\$234,000
PSCAA	\$200,000
City of Seattle (pending Managing Member approval)	\$150,000
SCAQMD DERA 2017 Administrative Costs	\$25,000
Total Funding	\$2,809,000

Master Identification No. 201050.02 has been assigned to the Clean Truck Fund. No additional matching funds from the NWSA are required by Ecology for this request.

All costs will be expensed as incurred and grant income will be recognized as non-operating income when received.

E. NEXT STEPS

1. Once a recipient has been identified, and the truck has been scrapped, NWSA staff will certify and document truck destruction, and provide proof to Ecology.
2. The funds will be invoiced by the NWSA by December 31, 2018, and paid within 30 days of receiving the NWSA's invoice for payment.
3. The ILA will be effective upon the signature of both Parties and will terminate June 30, 2019, unless mutually extended by the Parties.

F. ATTACHMENTS TO THIS REQUEST

- Interlocal Agreement AQDIESEL-1719-NoSeAI-00047