

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>4B</u>
Date of Meeting	<u>October 2, 2018</u>

DATE: September 19, 2018

TO: Managing Members, The Northwest Seaport Alliance

FROM: John Wolfe, Chief Executive Officer

Sponsor: Dakota Chamberlain, Chief Facilities Development Officer

Project Manager: Jason Jordan, Director, Environmental and Planning Services

SUBJECT: Authorization to enter into an ILA with the City of Seattle to accept a contribution for the 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 the City of Seattle (COS) to receive a contribution in the amount \$150,000, 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 \$150,000 of COS funding will supplement the difference between the trade-in and scrap value for approximately 25 truck owners enrolled in the Clean Truck Fund and will remove approximately 0.9 tons of PM2.5 annually. This process fulfills other grant obligations and 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 August 2018, 64.5% 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 during RFID reader installation and PCT is not included. It is unlikely there is a significant number of trucks only serving PCT. In August 64.5% of trucks (2,282 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%
July 2018	2223	3510	63%
August 2018	2282	3538	64.5%

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 can 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 \$2,659,000, 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 COS, the \$150,000 contribution would be added to the Fund. See below for the breakdown of how the funds will be used.

In September, the NWSA engaged two Community Development Financial Institutions as lenders for the Clean Truck Fund. They estimate they can provide 325 loans by the end of 2018.

The State of Washington grant for \$1.2M requires that any loans backed by those dollars, the non-compliant truck owned by the recipient must be scrapped. This request, the Clean Diesel Grant and a portion of the \$1.2M may be used for scrap bonuses. Recipients of these bonuses will be enrolled in the Clean Truck Fund. 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 bonus 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.

The City of Seattle approved this contribution as part of their supplemental budget at their July 9, 2018, City Council meeting.

Vouchers will be \$6,000 (the average trade-in value of \$8,865 minus the value of the scrap metal) and at least 25 trucks could be scrapped, resulting in an 85% reduction in PM2.5 equating to over 0.9 tons of PM2.5 removed per year, or approximately 11.3 tons over the remaining life of the vehicles.

D. FINANCIAL IMPLICATIONS

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

Use	Amount	Source
Available for Loan Loss Reserve (LLR)	\$2,182,500	WA State, NWSA, PSCAA, SCAQMD
Available for Admin – 10% cap of LLR (includes financial counselor costs)	\$242,500	NWSA
Available for Scrap Bonuses	\$384,000	Clean Diesel Grant, COS

Source of Funds

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

The contribution will be recorded as a deferred commitment on the balance sheet.

E. NEXT STEPS

1. Once a recipient has been identified and the truck has been scrapped, NWSA staff will review the documentation and provide the scrap bonus.
2. The funds will be invoiced by the NWSA by October 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 within 90 days after the end of the Clean Truck Fund (2026), unless mutually extended by the Parties.

F. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Northwest Seaport Alliance City of Seattle Interlocal Agreement