

AGENDA REPORT

Resolution: Authorization for the Executive Director to Execute a Memorandum of Understanding with the Port of Long Beach Regarding Obligations Associated with the California Air Resources Board Zero- and Near-Zero Emissions Freight Facilities Grant, at an Estimated Cost of \$2,000,000 **(Maritime)**

MEETING DATE: 01/24/2019

AMOUNT: \$2,000,000 (estimate)
Capital Expenditure

PARTIES INVOLVED: Port of Long Beach
Mario Cordero, Executive Director
Shippers Transport Express
Guy Sanderson, General Manager

SUBMITTED BY: John C. Driscoll, Director of Maritime
Chris Chan, Director of Engineering

APPROVED BY: Danny Wan, Acting Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

The Port of Long Beach (Long Beach), in collaboration with the Port of Oakland (Port), the Port of Stockton, SSA Marine (SSA), and Shippers Transport Express (STE), among others, was awarded approximately \$50 million of Zero- and Near-Zero Emissions Freight Facilities (ZANZEFF) grant funding from the California Air Resources Board (CARB), branded as the Sustainable Terminals Advancing Regional Transformation (START) Phase 1 Project. The Project will result in deployment of ten (10) Zero Emission (ZE) Class 8 drayage trucks at the STE facility, as well as five ZE yard-trucks and one ZE top handler at the Matson Terminal, all in the Port's Maritime Area (Seaport). As its contribution to the Project, Long Beach requested that the Port commit to the design and construction of electrical infrastructure for the ZE charging stations at the STE facility, at the Port's sole cost, and to assist Long Beach with grant administration. The preliminary estimate for the electrical infrastructure at the STE facility is \$2 million. This Agenda Report seeks authorization to execute a Memorandum of Understanding (MOU) with Long Beach to set forth the responsibilities of each party based on the terms of the grant agreement, at an estimated cost of \$2,000,000.

BACKGROUND

In the Spring of 2018, the CARB released a solicitation for the ZANZEFF grant opportunity to fund projects that provide greenhouse gas (GHG), criteria air pollutant, and toxic air contaminant emission reduction benefits to disadvantaged communities through advanced technologies. To maximize competitiveness, Long Beach developed an application in collaboration with the Port, the Port of Stockton, SSA Marine, and STE, among others, to present an approximate \$103 million project, branded as the Sustainable Terminals Advancing Regional Transformation (START) Phase 1 Project (the Project).

On September 8, 2018, CARB notified Long Beach the grant application was successful, resulting in a total of approximately \$50 million in grant funds awarded to projects located in Oakland, Long Beach, and Stockton. Of the \$50 million, \$9 million will support the following zero- and near-zero emissions (ZE) equipment deployment at the Seaport:

- Procurement, deployment, and testing of five (5) battery-electric yard tractors and one (1) battery-electric top handler at the Matson Terminal, operated by SSA Terminals;
- Charging infrastructure for terminal equipment at the Matson Terminal; and
- Procurement, deployment, and testing of 10 on-road battery-electric drayage trucks at the STE facility (for which the Port will construct charging infrastructure, as discussed above).

A map illustrating the general location of these investments at the Seaport is provided in Attachment 2.

At its June 14, 2018, meeting, the Board of Port Commissioners (Board) adopted Resolution No. 18-52 approving the Port's participation in the Project by authorizing the execution of a Letter of Commitment (LOC) to Long Beach that committed the Port, upon execution of an MOU with Long Beach, to install charging infrastructure to serve up to 10 battery-electric, ZE trucks at the Seaport as a grant match contribution of \$1.25 million, and to provide Long Beach with certain grant administration, herein collectively referred to as the "Port Project". The LOC is provided as Attachment 1 for reference, and was a necessary component of the successful grant application. This Agenda Report seeks approval of the MOU upon which the LOC is conditioned.

To implement the Port Project, Port and Long Beach staff desire to execute an MOU to outline the responsibilities of the parties.

ANALYSIS

Because the Port is not a signatory to the grant agreement, an MOU with Long Beach is the key document by which the obligations and responsibilities of the Port and Long Beach will be set forth. The MOU would detail the Port Project, which consists of the following components:

- Design, bid, and construction of electrical infrastructure, including switchgear, a transformer, and ten (10) ZE charging stations, to enable the charging of the 10 ZE drayage trucks deployed at the STE facility at the Seaport; and
- Assistance to Long Beach with grant administration tasks such as reporting requirements and outreach.

ZE Charging Infrastructure

Pursuant to the proposed MOU, the Port will be the responsible party for the design, bid, and construction of the charging infrastructure at the STE facility, provided the Port secures the necessary rights from STE to access its premises. Port staff is currently working on an amendment to STE's lease agreement with the Port for the performance of the subject work; such amendment would also make STE responsible for the maintenance of the charging infrastructure and payment of associated utility charges.

The Port's preliminary engineering estimate for the charging infrastructure is \$2 million, inclusive of all Port labor, design, construction, contingency, and other Port Project costs. This work may ultimately cost more or less than \$2 million. In anticipation that certain Port Project costs are not eligible as grant match, the Port's matching fund requirement is set at \$1.25 million (if the cost were to be less than \$1.25 million, then the Port would assist Long Beach in identifying other sources of match funding, if necessary). In the event of a higher cost, the Port is responsible to absorb any increases with no offset from grant funding. In other words, the Port's obligation is to deliver the charging stations, regardless of cost.

The MOU requires the Port to, among other matters, work toward issuing the notice of final completion of the installation of the charging infrastructure by July 31, 2020, and further requires the Port to work with Long Beach to seek any remedies that may be necessary if there are delays.

While the minimum requirement of the grant is to operate the ZE trucks for three months, it is expected that STE will continue to operate the trucks in Oakland for the remainder of their useful lives (estimated at seven (7) years), if the technology proves viable. If STE desires to transfer title of any of the ten (10) ZE trucks prior to the end of their useful lives, the MOU provides the Port with an opportunity (but no obligation) to redeploy the trucks in Oakland by identifying a potential new entity or individual to take ownership of the truck. If the Port does not exercise this opportunity, STE would be free to dispose of the trucks as they see fit.

Grant Administration

The MOU requires Long Beach to administer the grant, including coordination among the grant participants, maintaining schedules, quarterly reporting to CARB, and preparing the grant's final report to CARB. The MOU also documents the Port's various obligations to assist Long Beach with grant administration, such as data collection, cost reporting, and performance reporting. CARB has set requirements for intensive data collection throughout the grant's performance period, and a third-party data collector engaged by Long Beach will be responsible for assembling and presenting relevant data to meet the grant reporting requirements. The Ports

role in assisting with grant Administration is limited to providing information such as schedules, timelines, budget, and invoices associated with construction of the Port Project, lessons learned from executing the Port Project, and other Port Project-related data as requested. The Port's assistance to Long Beach in grant administration is limited, and will be accomplished as part of the normal course of staff work associated with the Port Project. No third-party consultants or additional costs are anticipated as a result of this administration. The Port will have an opportunity to review all reports submitted to CARB that contain information provided by the Port.

Workforce Development, Education, Community Outreach

The Project will also support workforce development and educational programs necessary to successfully implement and sustain ZE technologies and equipment. A workforce development assessment will be prepared by Long Beach that will identify the skills needed to support a ZE port workforce, which the Port will share with the Peralta Community College, to help the District identify relevant curriculum offerings and potential workforce enhancements. Further, a high school curriculum is being developed by the Center for International Trade and Transportation at California State University, Long Beach, focused on port careers, including environmental careers, which the Port will share with Oakland Unified School District.

The Port is required to communicate the benefits of the grant to surrounding communities and assist Long Beach in coordinating the presentation of the workforce and educational development information to the Oakland Unified School District and the Peralta Community Colleges.

BUDGET & STAFFING

While the Port's proposed 5-year Capital Improvement Plan (CIP) (FY 2019-23) does not include the proposed Port Project, it does include \$2.5 million for "to be determined" air quality initiatives. As a result, the Port Project is not expected to have an additional budgetary impact over the 5-year period.

Based on the current schedule, the Port will incur the majority of costs for the charging stations in FY 2018-19 and FY 2019-20. The preliminary total cost of the Port Project is \$2 million. As discussed above, if the cost is greater than \$2 million, the Port would still be committed to completing the Port Project. Of the \$2 million, \$1.25 million consist of costs committed as grant match, and will be the Port's financial commitment to Long Beach in the MOU. Table 1 provides the anticipated breakdown of the Port's costs.

Staff is seeking Board approval of budget authority in the amount of \$2,000,000 to construct the Port Project. The Port will fund its work using Port cash.

Performance of the Port Project will require deferral of other important projects in the CIP, which may have operational impacts on Seaport activities.

Table 1. Proposed Port Project Budget

	Description	Total Preliminary Estimated Cost
Grant Commitment Component of Preliminary Estimated Cost	Design	\$150,000
	Construction	\$1,000,000
	Port (Direct Labor)	\$100,000
	Subtotal	\$1,250,000
Non-Grant Commitment Component Preliminary Estimated Cost	Contingency (40%)	\$500,000
	Port labor overhead, MAPLA, OCIP, and misc.	\$250,000
	Subtotal	\$750,000
TOTAL		\$2,000,000

Staffing includes 0.5 FTE for engineering support to design and construct the Port Project and 0.2 FTE for administrative support associated with assisting Long Beach in grant administration. This staff will be made available through the deferral of other projects, as referenced above.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

Authorizing the Executive Director to execute a MOU does not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply. However, the provisions of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) will apply to the construction of the Port Project.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022) <https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>.

- Goal: Modernize and Maintain Infrastructure
- Goal: Care for Our Environment

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations") do not apply to the requested action.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy. The MOU will facilitate the Project, which will promote the electrification of the Seaport. The use of electric equipment at the Seaport supports the Maritime Air Quality Improvement Plan (MAQIP) goals to reduce emissions from the use of diesel fuel. With renewable energy requirements, the use of grid-based power in lieu of diesel reduces various air pollutant and GHG emissions. The Port Project contributes to the commercialization of ZE Seaport technologies to reduce emissions from all Seaport operations.

ENVIRONMENTAL

California Environmental Quality Act (CEQA) Determination: Pursuant to Port Resolution 18-52, the Board determined that the Port Project components are covered in the OAB Redevelopment Project Environmental Impact Report (State Clearinghouse Number 2001082058), as addended. No further CEQA review is required.

GENERAL PLAN

Authorizing the Executive Director to execute a MOU does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required. However, Pursuant to Section 727 of the City of Oakland Charter, the potential improvements funded by the Port Project have been determined to conform to the policies for the transportation designation of the Oakland General Plan.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

While entering into a MOU is not subject to the Port's Owner Controlled Insurance Program (OCIP), as it is not a capital improvement construction project, the applicable OCIP coverages and provisions would apply to the construction activities of the Port Project.

OPTIONS

The following are options for the Board's consideration:

- 1) Authorize the Executive Director to execute an MOU with Long Beach that outlines the Port's and Long Beach's responsibilities associated with the Port Project as described herein. This is the recommended option.
- 2) Do not authorize the Executive Director to execute the MOU associated with the Port Project, as described herein. Under this option, the Port would not proceed with the Port Project, which would conflict with the LOC the Board approved in June 2018; Staff would discuss this with Long Beach and return to the Board with more information on the implications of this option.

RECOMMENDATION

Authorize the Executive Director to:

- a) Execute a Memorandum of Understanding (MOU) with the Port of Long Beach to set forth the obligations and responsibilities of the parties to implement the Port's component of the ZANZEFF START Phase 1 Project (the Port Project); and
- b) Authorize \$2,000,000 of Port funds to construct charging infrastructure for 10 zero-emission trucks necessary to the Port Project, and meet related obligations as set forth in the MOU.

ATTACHMENT 1

Letter of Commitment



June 15, 2018

Richard Corey
Executive Director
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Sustainable Terminals Advancing Regional Transformation (START) Project Phase 1

Dear Mr. Corey:

The Port of Oakland (Oakland) is pleased to work with the Port of Long Beach (Long Beach) on the Sustainable Terminals Advancing Regional Transformation (START) Project Phase 1 under the California Air Resources Board's (CARB) Zero- and Near-Zero Emissions Freight Facility funding opportunity (START Project).

Assuming Long Beach is successful in obtaining the grant funds for the START Project and Oakland and Long Beach enter into a Memorandum of Understanding (MOU), Oakland will be committed to the success of the START Project and the completion of all activities assigned to it in the Scope of Work contained in the proposed MOU. Specifically, pursuant to the proposed MOU, Oakland would commit to installing charging infrastructure to support up to 10 battery-electric, zero-emissions trucks on Oakland-owned property currently occupied by Shippers Transport Express, Inc. (Infrastructure Project). Oakland has already completed all documentation required for compliance with the California Environmental Quality Act (CEQA). If Long Beach is awarded the grant for the START Project, pursuant to the proposed MOU, Oakland would commit to executing the Infrastructure Project and also assisting Long Beach with grant administration, including but not limited to participating in all required meetings with CARB staff, supporting the successful progress of all START Project components on Oakland property, and submitting documentation for monthly progress reports and the Final Report associated with the Infrastructure Project.

As a further sign of our commitment to the START Project, pursuant to the proposed MOU, Oakland would provide a match contribution to the START Project valued at a total of \$1,250,000. The match will be funded with cash and will be included in Oakland's FY 2019, FY 2020, and FY 2021 budgets.

If Long Beach receives an award for the proposed START Project and Long Beach and Oakland enter into an MOU, Oakland would guarantee the availability of its staff for their assigned tasks.

The cash-in-hand match will become available upon Long Beach executing a contract with CARB and Oakland executing an MOU with Long Beach and will remain available until the funds are expended or the START Project concludes. Further, pursuant to the MOU, Oakland would guarantee the availability of any other of its resources required to complete the activities assigned to it in the Scope of Work in the MOU for the duration of the START Project.

The Port of Oakland is extremely excited about the proposed START Project and I personally look forward to its progress. If you have any questions regarding our commitment, please feel free to contact me or Oakland's project manager, Jason Garben. Mr. Garben can be reached at 510-627-1153 and jgarben@portoakland.com.

Sincerely,

 *for C. Lytle*

J. Christopher Lytle
Executive Director
Port of Oakland

ATTACHMENT 2

Location of STE Facility and Matson Terminal at the Seaport

