



SECTION 7: BUDGET SUMMARY

There are several types of costs and funding sources associated with the implementation of the Clean Air Action Plan, including:

- Costs borne by the industries/terminals affected by the plan's requirements,
- Costs borne by the Ports in developing required infrastructure improvements, funding incentives, and implementing control measures, and
- Costs borne by regulatory agencies to fund incentives.

This document is a tool developed expressly for the Ports to implement a comprehensive plan that will reduce both health-risk and mass emissions associated with port operations. Both Ports have a five year fiscal planning horizon and the Clean Air Action Plan identifies costs that will be incurred by the Ports from the implementation of various measures and elements of the plan. Health care costs and industry costs are not the focus of this document. Costs that need to be borne by the Ports must be identified to ensure that the programs that the Ports are taking funding responsibility for can be budgeted. Potential available funding from regulatory agencies are also included for planning purposes.

The two types of costs presented in this section are direct costs and indirect costs. Direct costs are those costs that will need to be spent in the implementation of the proposed measures over the next five fiscal years. These costs were estimated to assist financial planning requirements of both Ports. Indirect costs are those costs that occur as a result of the implementation of the Clean Air Action Plan.

Similar to the entire Clean Air Action Plan, the budget estimates will be reexamined each year prior to the budget cycle so that the Ports can plan for the needed funding levels for the upcoming fiscal year. The revised budget estimates will be published for public review as part of the Clean Air Action Plan annual update.

7.1 Direct Costs

Both Ports are committing significant direct funding to the Clean Air Action Plan. For budgetary planning purposes, the Ports need to identify available funding streams from the air agencies, other entities, etc., and to identify Port-related funding that will be dedicated to the plan over the next five fiscal years and beyond. Incentive funding includes impact fees to accelerate the replacement and retrofit of "dirty" trucks servicing the Ports. The impact fees would be set such that any short falls in funding for SPBP-HDV1 are covered. Port incentive funds, agency funds, and other entity funds will be used to fund the comprehensive Technology Advancement Program. Incentive funding does not include any capital infrastructure costs (shore side power costs), the existing PHL switch engine fleet turnover agreement, infrastructure and operational improvement funding, and the Port of Los Angeles' China Shipping Settlement funding. Even with Port, agency, and



potential state bond funding, gaps associated SPBP-HDV1 remain. One mechanism that could alleviate the funding shortfall is the application of impact fees associated with the movement of cargo or sources (i.e., trucks, locomotives, vessels, etc.). However, for impact fees to achieve the desired results, they must be structured across both Ports and applied appropriately. In addition, such fees would be targeted close to the beneficial cargo owner as possible, a description of this concept can be found in Section 3.1.2. It should be noted, that if the state’s Goods Movement bond is not passed in the November elections, then the impact fees would be used as a funding source to fill any funding gaps. Administration costs include the level of effort anticipated to administer and track the performance of the various control measures and programs presented in the Clean Air Action Plan. Both Ports have similar contributions to the Clean Air Action Plan, however the Port of Long Beach’s cost associated with SPBP-OGV2 will be significantly higher than Port Los Angeles due to greater electrical infrastructure improvement needs. Current total monetary commitments for each funding entity over the next five years:

- Port of Los Angeles \$177,500,000
- Port of Long Beach \$240,400,000
- SCAQMD (initial commitment) \$47,000,000
- Bond/Impact Fee Funding \$1,602,900,000

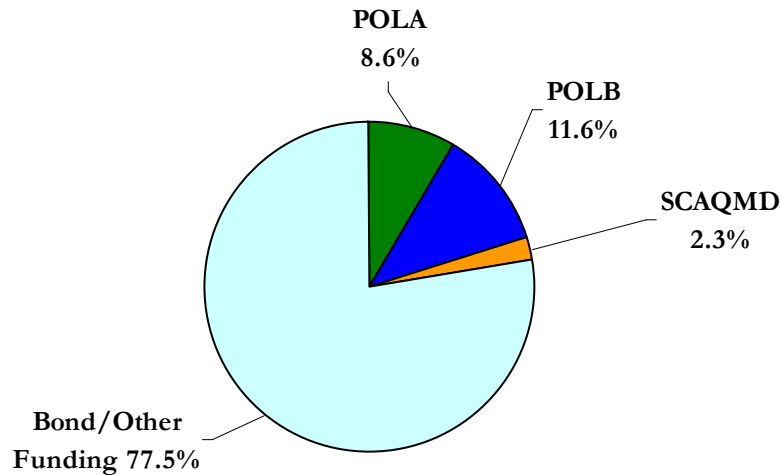
Table 7.1 presents the Ports’ fiscal year distribution of the above total Clean Air Action Plan funding anticipated to be spent over the next five years. In addition, it shows SCAQMD initial commitments and bond/other funding (made up primarily of the SPBP-HDV1 impact fees and potential bond monies if the State’s Goods Movement bond passes in November). These amounts include the elements as presented in Sections 4 and 5 (incentive funding, capital costs, the PHL agreement, Port of Los Angeles China Shipping settlement monies, and plan administration). Figure 7.1 presents the percent of that funding by entity.

Table 7.1: Total Costs by Entity Over Next Five Years

	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010	FY 2010/2011	Totals
POLA	\$39,500,000	\$47,700,000	\$35,100,000	\$28,600,000	\$26,600,000	\$177,500,000
POLB	\$42,000,000	\$31,600,000	\$45,600,000	\$57,300,000	\$63,900,000	\$240,400,000
SCAQMD	\$17,500,000	\$11,500,000	\$6,000,000	\$6,000,000	\$6,000,000	\$47,000,000
Bond/Other Funding	\$0	\$436,600,000	\$418,300,000	\$374,000,000	\$374,000,000	\$1,602,900,000
FY Totals	\$99,000,000	\$527,400,000	\$505,000,000	\$465,900,000	\$470,500,000	\$2,067,800,000



Figure 7.1: Percent of Total Costs by Entity



Other potential funding entities could include the Maritime Goods Coalition, the West Coast Diesel Collaborative, the EPA, the United States Department of Transportation, the Department of Energy, etc. Staff from both Ports will continue to identify potential entities and include them in the list of possible funding sources.

The San Pedro Bay Ports Clean Air Action Plan total operational costs (without the PHL agreement, shore-power infrastructure capital costs, and the Port of Los Angeles China Shipping settlement monies) are presented by entity and fiscal year in Table 7.2. Figure 7.2 presents the percentage of the total costs over the five fiscal years by entity. These operational costs represent the funding budgets beyond existing capital projects for each Port.

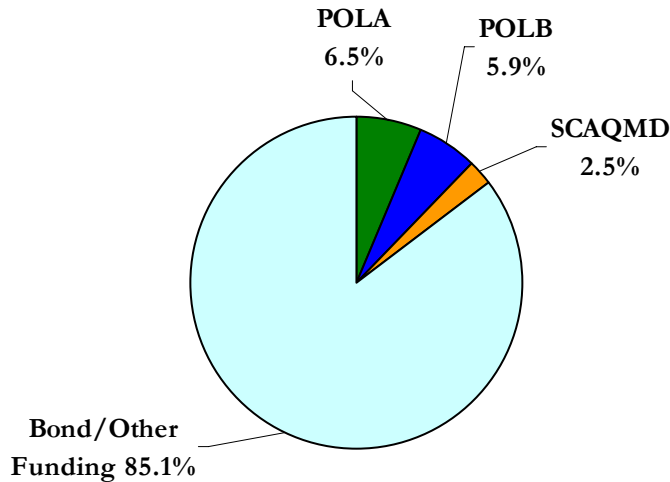


Table 7.2: Total Operational Costs by Entity

	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010	FY 2010/2011	Total
POLA	\$28,000,000	\$25,700,000	\$22,600,000	\$22,600,000	\$22,600,000	\$121,500,000
POLB	\$27,000,000	\$21,600,000	\$20,600,000	\$20,600,000	\$20,600,000	\$110,400,000
SCAQMD	\$17,500,000	\$11,500,000	\$6,000,000	\$6,000,000	\$6,000,000	\$47,000,000
Bond/Other Funding	\$0	\$436,600,000	\$418,300,000	\$374,000,000	\$374,000,000	\$1,602,900,000
Totals	\$72,500,000	\$495,400,000	\$467,500,000	\$423,200,000	\$423,200,000	\$1,881,800,000

Note: This does not include shore-power capital costs, and POLA CS monies.

Figure 7.2: Percent of Total Operational Costs by Entity



The total capital costs by Port are presented in Table 7.3 and Figure 7.3.

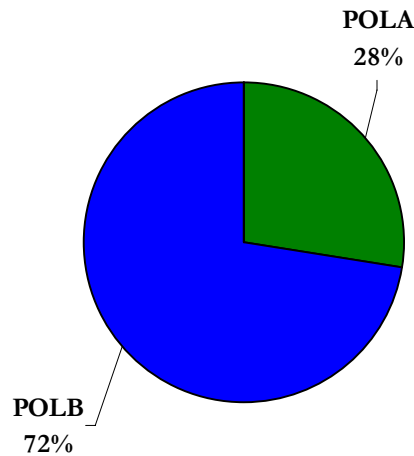


Table 7.3: Total Capital Costs by Port

	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010	FY 2010/2011	Totals
POLA	\$6,700,000	\$21,100,000	\$12,500,000	\$6,000,000	\$4,000,000	\$50,300,000
POLB	\$16,400,000	\$11,000,000	\$25,000,000	\$36,700,000	\$43,300,000	\$132,400,000
SCAQMD	tbd	tbd	tbd	tbd	tbd	\$0
Bond/Other Funding	\$0	\$0	\$0	\$0	\$0	\$0
FY Totals	\$23,100,000	\$32,100,000	\$37,500,000	\$42,700,000	\$47,300,000	\$182,700,000

Note: This does not include POLA CS monies

Figure 7.3: Percent of Total Capital Costs by Port



Note: This does not include POLA CS monies.

The total costs (operational and capital) spent by source category and Clean Air Action Plan initiative are provided by fiscal year in Table 7.4 and Figure 7.4 presents the percent of total funding for those categories over the five year period.

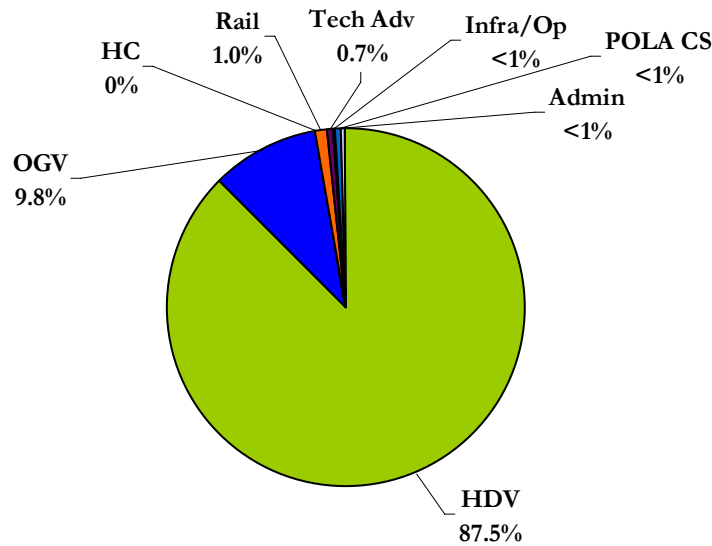


Table 7.4: Total Costs by Source Category & Initiative by Fiscal Year

Total SPBPCAAP Funding	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010	FY 2010/2011	Totals
HDV	\$46,000,000	\$476,600,000	\$458,300,000	\$414,000,000	\$414,000,000	\$1,808,900,000
OGV	\$26,600,000	\$34,500,000	\$41,900,000	\$47,100,000	\$51,700,000	\$201,800,000
HC	\$0	\$0	\$0	\$0	\$0	\$0
Rail	\$15,500,000	\$5,500,000	\$0	\$0	\$0	\$21,000,000
Tech Adv	\$3,400,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$15,400,000
Infra/Op	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000
POLA CS	\$6,000,000	\$6,000,000	\$0	\$0	\$0	\$12,000,000
Admin	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$4,000,000
FY Totals	\$99,300,000	\$527,400,000	\$505,000,000	\$465,900,000	\$470,500,000	\$2,068,100,000

Note: POLA CS – Port of Los Angeles China Shipping settlement money

Figure 7.4: Percent of Total Costs by Five Source Category & Initiative



The total costs (operational and capital) associated by control measure and the Clean Air Action Plan initiative by fiscal year are presented in Table 7.5 and the percent of total costs of each control measure and initiative are presented in Figure 7.5 on the next.

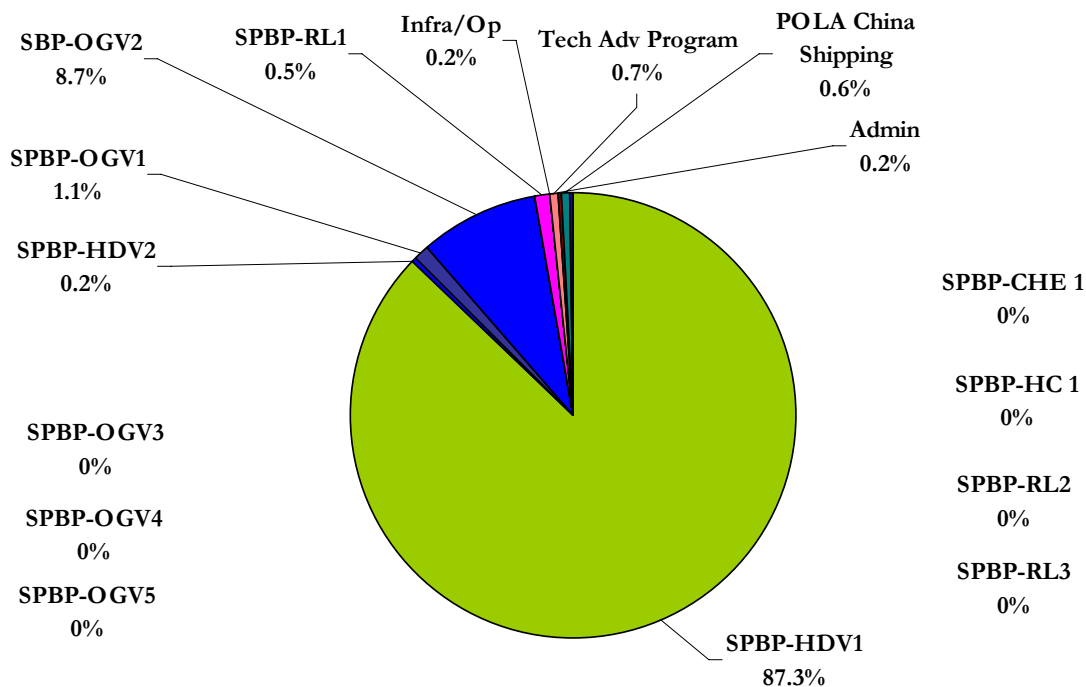


Table 7.5: Clean Air Action Plan Total Costs by Control Measure & Initiative by Fiscal Year

Total SPBP/CAAP Funding	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010	FY 2010/2011	Totals
SPBP-HDV1	\$44,000,000	\$474,600,000	\$458,300,000	\$414,000,000	\$414,000,000	\$1,804,900,000
SPBP-HDV2	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$4,000,000
SPBP-OGV1	\$5,100,000	\$4,400,000	\$4,400,000	\$4,400,000	\$4,400,000	\$22,700,000
SBP-OGV2	\$21,500,000	\$30,100,000	\$37,500,000	\$42,700,000	\$47,300,000	\$179,100,000
SPBP-OGV3	\$0	\$0	\$0	\$0	\$0	\$0
SPBP-OGV4	\$0	\$0	\$0	\$0	\$0	\$0
SPBP-OGV5	\$0	\$0	\$0	\$0	\$0	\$0
SPBP-CHE 1	\$0	\$0	\$0	\$0	\$0	\$0
SPBP-HC 1	\$0	\$0	\$0	\$0	\$0	\$0
SPBP-RL1	\$15,500,000	\$5,500,000	\$0	\$0	\$0	\$21,000,000
SPBP-RL2	\$0	\$0	\$0	\$0	\$0	\$0
SPBP-RL3	\$0	\$0	\$0	\$0	\$0	\$0
Tech Advancement Program	\$3,400,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$15,400,000
Infra/Op	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000
POLA China Shipping	\$6,000,000	\$6,000,000	\$0	\$0	\$0	\$12,000,000
Admin	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$4,000,000
FY Totals	\$99,300,000	\$527,400,000	\$505,000,000	\$465,900,000	\$470,500,000	\$2,068,100,000

Note: Port of Long Beach optional shore-power facility costs for berths identified in Table 5.14 are included for planning purposes.

Figure 7.5: Clean Air Action Plan Percent Total Costs by Control Measure & Initiative





7.2 Indirect Costs

The second type of costs associated with the Clean Air Action Plan are indirect costs to the Ports resulting from the implementation of the plan. Potential indirect costs include:

- Reduction of revenue from loss of third party vessel operators
- Reduction of revenue from reduced rate of return during lease negotiations
- Cargo diversion to other West Coast ports
- Other undetermined costs associated with implementation of the Clean Air Action Plan

These costs cannot be quantified at this time; however, they could be significant and should be monitored throughout the implementation of the Clean Air Action Plan. These costs are factors that should be considered when developing Port budgets and may have an impact on bonding decisions.

7.3 Funding Strategies

A fundamental challenge to achieving the stated goals and implementing the Clean Air Action Plan is funding the control measures in an equitable manner. As presented in Section 7.1, the direct costs associated with the Clean Air Action Plan are significant and will require more than the Port and SCAQMD committed funding. This is primarily due to the aggressive truck replacement and retrofit measure SPBP-HDV1. However, to cover this cost, the Ports will utilize some or all of following funding stream options to cover the entire cost of the Clean Air Action Plan:

- Utilize public funding if the State's Goods Movement bond is passed
- Impact fees associated with SPBP-HDV1 targeted as close to the beneficial cargo owner as possible (which could include the licensed motor carrier)
- Franchise approach
- Joint Powers Authority

The advantage of moving the cost burden for the clean up of the trucking fleet to the shipping industry is that this avoids the scenario where the local communities bear the brunt of the clean up for goods that are not sold in the area. Additional information on the incentive program with impact fee component and potential tariff changes will be developed and provided by the Ports in the 1st quarter of 2007 as the program is developed.

A Port administered fee also has several implementation options such as varying fee levels by the Port (including ports that do not set surcharges), and would allow individual ports more flexibility in determining and directing what their air quality mitigation strategies.