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**RECOMMENDATION APPROVED;  
RESOLUTION 19-9519 ADOPTED; AND  
AGREEMENT 19-3670 APPROVED;  
BY THE BOARD OF HARBOR COMMISSIONERS**



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**AUGUST 22, 2019**

**AMBER M. KLESGES**  
Board Secretary

**DATE: AUGUST 7, 2019**  
**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. 19-9519 - APPROVAL OF FOREIGN-TRADE  
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN  
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND  
MORRISON EXPRESS CORPORATION (U.S.A.) FTZ 202, SITE 59**

**SUMMARY:**

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Morrison Express Corporation (U.S.A.) (Morrison) to operate its facility within FTZ 202, Site 59, located at 2000 South Hughes Way, El Segundo, California 90245. Currently, Morrison is applying to the FTZ Board to designate this site as an FTZ warehouse under the alternative site framework as usage-driven Site 59. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 59 is a warehouse and office building totaling approximately 0.67 acres located approximately 17 miles from the Port of Los Angeles. Morrison will operate its facility under FTZ procedures as a multi-usage site. The proposed Agreement is for a term of five years with three, five year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Morrison (per FTZ Tariff No. 2).

**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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Morrison Express Corporation (U.S.A.);
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH MORRISON EXPRESS CORPORATION (U.S.A.) FTZ 202, SITE 59

4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. 19-9519.

**DISCUSSION:**

Background and Context – The FTZ Act of 1934, as amended (19 U.S.C. 81a-81u), was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of an FTZ is a restricted access site located in the U.S. Customs and Border Protection territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extensions (Transmittal 1). Morrison is a U.S. company with its head office located in El Segundo, California employing approximately 65 full-time and part-time employees working within the proposed FTZ warehouse area. Morrison will operate its FTZ site at 2000 South Hughes Way, El Segundo, California 90245, FTZ 202, Site 59. The site is owned by MEC Investments Inc. The facility consists of warehouse and office space on 0.67 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Morrison shall follow the rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ. Morrison shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles confine their routes to the designated Wilmington Truck Route.

Need for Approval – Morrison is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 59 as a multi-usage FTZ facility. Morrison handles the logistics, handling, storage, inventory and quality control of various products such as communication equipment, electronic components and materials. Occasionally, products may be re-exported.

If Morrison does not obtain approval as an operator with FTZ status from the Harbor Department, they potentially have the choice of going to another FTZ in California such as Long Beach. Since FTZ facilities exist in every state, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH MORRISON EXPRESS CORPORATION (U.S.A.) FTZ 202, SITE 59

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a Foreign-Trade Zone Operating Agreement between the Harbor Department and Morrison 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.

**FINANCIAL IMPACT:**

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Morrison (per FTZ Tariff No. 2).

Approval of the FTZ Operating Agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year 2019, unaudited revenues of \$349,769 were collected from Harbor Department FTZ operators relative to FY 2019 unaudited expenses of \$42,281 incurred by the Harbor Department for consulting services.

**CITY ATTORNEY:**

The Office of the City Attorney has prepared and approved the proposed Agreement as to form and legality.

**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement with Morrison Express Corporation (U.S.A.) FTZ 202, Site 59
2. FTZ 202, Site 59 Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

FIS Approval: 

CA Approval: 



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director