

RECOMMENDATION APPROVED;
RESOLUTION NO. 17-8115 AND
ORDER NO. 17-7222 ADOPTED;
BY THE BOARD OF HARBOR COMMISSIONERS



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

June 1, 2017

Amber M. Klesges
AMBER M. KLESGES
Board Secretary

6-1-17
4

DATE: MAY 24, 2017

FROM: PORT PILOTS

**SUBJECT: RESOLUTION NO. 17-8115 - APPROVING PERMANENT ORDER
AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE,
ITEM NO. 330 – “CHARGES FOR PILOTAGE”**

SUMMARY:

Staff requests the Board of Harbor Commissioners (Board) approve the City of Los Angeles Harbor Department (Harbor) to permanently amend the Port of Los Angeles Tariff No. 4 (Tariff), Section Three, Item No. 330 - Charges for Pilotage. The Harbor Department provides piloting service that is available to all vessels calling at the Port of Los Angeles (Port). Per the Tariff, a sum of fees is assessed against all vessels subject to the payment of pilotage. Tariff Item No. 330 regarding Charges for Pilotage (Pilotage) is based on a vessel's tonnage and length over all plus surcharge per move. The proposed amendment will affect the Pilotage calculation such that the Overall Length (LOA) fee and all other fee schedules related to Pilotage would be increased approximately 14 percent, effective July 1, 2017. The Gross Registered Ton (GRT) rate would remain at \$0.0063 and the Surcharge per Move would remain at \$105.

This proposed adjustment supports the ongoing phased cost recovery effort to balance the Los Angeles Port Pilot budget. Total pilot revenues are expected to increase by approximately \$4 million annually, depending on the number of vessels, vessel size, vessel weight, and number of moves both within as well as entering and leaving the port.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(31) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Amendment to Port of Los Angeles Tariff No. 4 revising Section Three Pilotage, Item No. 330 (b), (d), (e), (f), and (g), subject to the California Association of Port Authorities' review and approval, and authorize the Executive Director to work with California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with California Association of Port Authorities procedure;

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3. Adopt Permanent Order No. 17-7226 to amend Section 3 Pilotage, Item No. 330 (b), (d), (e), (f), and (g) in the Port of Los Angeles Tariff No. 4;
4. Direct the Board Secretary to transmit to the City Council for approval of the Permanent Order and the Ordinance approving and authorizing the amendments to the Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
5. Authorize the Board Secretary to execute the Permanent Order and Ordinance amending Tariff No. 4 as stated above, and upon its publication, transmit the Orders and Ordinance to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website; and
6. Adopt Resolution No. 17-8115.

DISCUSSION:

Background/Context – The City of Los Angeles, acting by and through its Board of Harbor Commissioners, the governing body of the Port, maintains a force of federally licensed port pilots to perform the service of piloting vessels in, into and out of the Port. Any vessel entering, leaving, or shifting within the Port, by her owners, master, operators, charterers or agents, may request the services of and be piloted by a port pilot.

The Harbor Department provides piloting service for all ships over 300 Gross Tons entering, departing, or shifting within the Port. A tariff is then assessed against all vessels subject to the payment of pilotage (Pilotage). There are currently three basic components in the Tariff for Pilotage, charges for: Gross Registered Tonnage (GRT), Overall Length of Vessel (LOA) and a general assessment for capital improvements, maintenance, and training (Surcharge per Move). The charge for Pilotage is determined by the sum of the GRT calculation, the LOA rate, and the Surcharge per Move.

Previous Board Action – On January 1, 2017, the Tariff was amended to increase the LOA fee by 25 percent, increase GRT charge from \$0.0060 to the current rate of \$0.0063, and increase the Surcharge from \$100 to \$105 per move pursuant to Board Order 7214. Board Order No. 16-7214 also approved the expansion of the LOA in meters charge to include any vessels calling that are 394 meters and over.

This proposed increase in addition to the increases that went into effect on July 1, 2016 and January 1, 2017 are intended to reduce the \$3 million operating deficit between the \$10 million in operating cost and \$7 million in total revenue. Prior to the July 1, 2016 amendment, it had been ten years since the last tariff increase for pilotage. Since 2007 the Port Pilot Division has been operating at a deficit and will continue to do so until additional

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increases can be implemented. The proposed actions will serve to close the shortfall and enable the Harbor Department to offset capital improvement and training costs, deliver more efficient customer service, and establish a more sustainable business model. Prior to 2006, the Harbor Department had primarily adjusted the pilot tariff rate structure to maintain a balanced budget. Despite the proposed increases, the rates for pilotage in the Port of Los Angeles will remain among the lowest on the U.S. West Coast. Staff's goal is to maintain a tariff which will provide competitive rates in San Pedro Bay and balanced financial performance.

Amendment to Tariff No. 4 – The Harbor Department proposes amendments to Port Tariff No. 4 (Tariff) Item No. 330 (b), (d), (e), (f), and (g) regarding Charges for Pilotage (Transmittal 1).

The proposed changes, effective July, 2017, would increase the LOA fee in meters by approximately 14%. All other fees related to Pilotage would also be increased 14%, i.e. pilot cancellation fee, pilot stand-by fee, assistance charge for a second pilot; and the minimum charge pilotage fee. The GRT would remain at \$0.0063 and the Move Surcharge would remain at \$105. Item No. 330(g) would be nominally changed to remove an outdated reference to a previous effective date.

Pilotage Charges Per Vessel

	AVG SHIP 5,500 TEU	8,500 TEU	10,000 TEU	13,050 TEU
POLA Prior to 7/1/16	\$4,075	\$5,090	\$5,211	\$5,794
POLA 7/1/2016	\$4,866	\$6,132	\$6,344	\$7,108
POLA Current -1/1/17	\$5,884	\$7,388	\$7,611	\$8,500
POLA 7/1/2017	\$6,563	\$8,218	\$8,441	\$9,408

Changes to Tariff No. 4 (Transmittal 2) require the approval of the Board and City Council. A proposed Temporary Order has been requested and is required to keep the proposed tariff rules and regulations in place until the Permanent Order (Transmittal 3) and Ordinance (Transmittal 4) are approved by City Council.

Any additional fee modifications will be addressed and returned to the Harbor Commission for review and approval.

ENVIRONMENTAL ASSESSMENT:

The proposed action is to amend the Port of Los Angeles Tariff No. 4 charges for pilotage. As an activity involving modification of a rate, fee, or charge for the use of existing municipal services involving negligible or no expansion of use, the Director of

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Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Pilotage revenues totaled \$7.1 million and \$7.0 million in FY 14/15 and FY 15/16 (unaudited), respectively. Effective July 1, 2016 and January 1, 2017 the Board approved an approximately 10 and 25 percent increase in pilot tariff rates. Comparing the fiscal year to date, April 30, 2016 pilotage revenues of \$5.9 million to the fiscal year to date April 30, 2017 pilotage revenues of \$7.7 million, the increase in revenues primarily due to the pilotage rate increases is approximately \$1.8 million. This proposed amendment to Tariff No. 4, Item 330, charges for Pilotage is expected to increase the Port's pilotage revenues by an additional \$1.5-2.0 million annually, depending on both the size of future vessels calling and the number of pilot assisted moves. As the previous increases and this proposed pilot tariff increase addresses the operating costs only of the Port Pilot station, capital and other overhead costs associated with the Port Pilot station (estimated at greater than \$2 million annually) is not included in the approximately \$10.5 million annual operating cost of the pilot station. The proposed adjustment supports the ongoing phased cost recovery efforts which enable the Port's pilot operations to operate within a balanced budget. The financial impact of Port pilot MOU negotiations underway on ongoing cost recovery efforts is indeterminable at this time.

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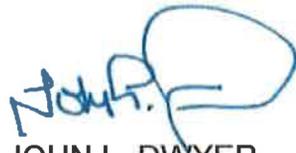
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CITY ATTORNEY:

TBD

TRANSMITTALS:

1. Pilotage Rate Table
2. Tariff No. 4
3. Permanent Order
4. Ordinance



JOHN L. DWYER
Chief Port Pilot

FIS Approval : MB (initials)
CA Approval : GM (initials)



THOMAS E. GAZSI
Chief of Public Safety
and Emergency Management

APPROVED:



EUGENE D. SEROKA
Executive Director

TEG/JD/rkg
Author: R. Grant