

0150-03656-0081

TRANSMITTAL

TO
Eugene D. Seroka, Executive Director
Harbor Department

DATE
FEB 10 2017

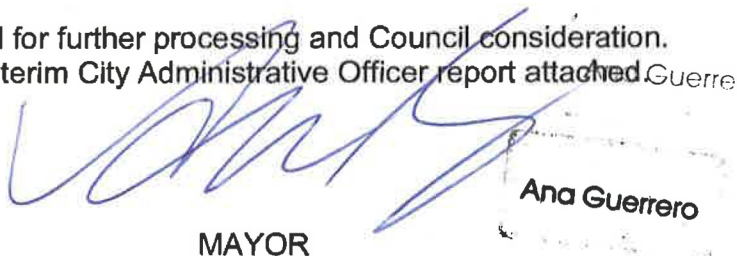
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
15

**PROPOSED PERMANENT ORDER TO AMEND PORT OF LOS ANGELES
TARIFF NO. 4, SECTION THREE, ITEM NO. 330—"CHARGES FOR PILOTAGE"**

Transmitted for further processing and Council consideration.
See the Interim City Administrative Officer report attached.



Ana Guerrero

MAYOR

RHL:ABN:10170078t

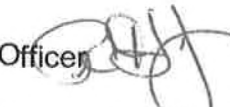
REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 7, 2017

CAO File No. 0150-03656-0081
Council File No.
Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer 

Reference: Correspondence from the Harbor Department dated January 5, 2017; referred by the Mayor for report dated January 18, 2017

Subject: **PROPOSED PERMANENT ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE, ITEM NO. 330—"CHARGES FOR PILOTAGE"**

RECOMMENDATIONS

That the Mayor:

1. Approve the Harbor Department (Port) Board of Harbor Commissioners Resolution No. 16-8035 requests to authorize Permanent Order No. 16-7215 and the corresponding Ordinance to amend the Port of Los Angeles Tariff No. 4, Section Three - Charges for Pilotage - Item No. 330 (b), (d), (e), (f), and (g); and
2. Return the document to the Port for further processing, including Council consideration.

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 16-8035 authorizing Permanent Order (Order) No. 16-8035 and approval of the corresponding Ordinance (see Attachment) to amend the Port of Los Angeles (POLA) Tariff No. 4 (Port, Fees, Rules and Regulations Manual), Section Three – Charges for Pilotage (Pilotage) – Item No. 330 (b), (d), (e), (f), and (g). Pilotage rates in Tariff No. 4 include charges assessed against all vessels for piloting services to enter, leave or move in and out of the POLA. Pilotage charges are based on a vessel's tonnage and overall length, plus a surcharge per move. The proposed Amendment will increase the current Pilotage charges and calculations for the tonnage and length of vessels, tariff surcharges for each move of a vessel, and all other fee schedules related to Pilotage, effective January 1, 2017, as follows:

- Gross Registered Tonnage (GRT) charge rates will increase from \$0.0060 to \$0.0063;
- Surcharge per vessel move will increase from the current rate of \$100 to \$105 per move;
- Pilotage fees for Overall Length of Vessel (LOA) will increase by approximately 25 percent; and,
- All other fee schedules related to Pilotage also will increase by 25 percent, including charges for pilot cancellation and stand-by fees, use of a second pilot, and minimum pilotage fee charges.

Pursuant to Charter Section (Section) 653, Rates, Rules and Regulations, the Board makes and enforces rules and regulations to amend and collect rates and charges by Ordinance, subject to approval by the Council. The intent of the Port is to reduce the approximately \$3 million operating deficit, which is based on current operating costs of \$10 million and total revenue generation of \$7 million. According to the Port, this proposed increase to the Pilotage charges will support an ongoing, phased cost recovery effort to assist in providing a balanced budget for the Port Pilots Division.

The proposed Amendment will increase the Pilotage charges, decrease the current funding shortfall, assist in providing a balance budget, and deliver more efficient customer service for the POLA. The Port states that the proposed pilotage rates will be competitive with other ports, but will continue to remain among the lowest for ports on the west coast.

The charges for Pilotage are published in the POLA Tariff No. 4. The Tariff assessments are for all vessels subject to the payment of Pilotage fees. The funds collected are used for Port Pilot operations, including employee salaries, capital improvements, maintenance and training. The Port maintains federally-licensed port pilots to perform the services of piloting vessels into and out of the POLA. Pilotage is considered to be one of the most important functions for maritime safety. Port Pilots are generally considered as expert shiphandlers who possess detailed knowledge of local waterways, which leads to directing the vessels to the port and final docking of the ship.

The City Attorney has approved the proposed Order and Ordinance as to form. Pursuant to Charter Section 653, approval of the Order to amend the Tariff must be approved by Ordinance. The Charter does not specify a time limit for this action by the Council and Mayor.

BACKGROUND

The Tariff for Pilotage charges was last amended in July 2016 (C.F. 06-2035). At that time, the Port increased GRT from 0.0034 to the current rate of \$0.0060, the Surcharge from \$52 to \$100 per move, LOA fees by 10 percent, and other fee schedules. Prior to July 2016, the Pilotage charges had not been amended since June 2006. The Port states that the Port Pilot Division has been operating at a deficit and the proposed actions will assist in resolving the deficit by establishing a better business model. Subsequent to the last increases to the Pilotage charges, the Port stated that it would conduct an efficiency study on the Port Pilot services and, if warranted, submit additional fee modifications for future consideration, which it is doing as part of this request.

FISCAL IMPACT STATEMENT

The proposed Amendment to Tariff No. 4, Section Three and Item No. 330 will increase the Harbor Department's (Port) charges for Pilotage fees. The Amendment is expected to increase the pilotage fees and revenue by an additional \$1.9 million annually, depending on both the number and size of future vessels and the number of Port Pilots needed to assist with the vessel moves. The proposed increase is one of a multipurpose cost recovery plan by the Port, which will enable the Port of Los Angeles to operate the Port Pilot operations within a balanced budget.

RHL:ABN:10170078

Attachment

ATTACHMENT

ORDINANCE NO. _____

An ordinance approving Order No. 16-7215 of the Board of Harbor Commissioners of the City of Los Angeles, amending Port of Los Angeles Tariff No. 4.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. That Order No. 16-7215 passed and adopted by the Board of Harbor Commissioners of the City of Los Angeles on the 15th day of Dec., 2016, amending Port of Los Angeles Tariff No. 4, be, and the same is hereby ratified, confirmed and approved, which Order is in words and figures as follows:

"ORDER NO. 16-7215

An Order of the Board of Harbor Commissioners of the City of Los Angeles amending Port of Los Angeles Tariff No. 4.

THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LOS ANGELES DOES HEREBY ORDER AS FOLLOWS:

Section 1. Port of Los Angeles Tariff No. 4, adopted July 12, 1989, by Order No. 5837, and Ordinance No. 165,789, adopted April 10, 1990, as amended, is further amended as set forth in Exhibit "A," attached hereto and incorporated herein by reference.

Section 2. The Director of 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.

Section 3. The Board Secretary shall certify to the adoption of this Order by the Board of Harbor Commissioners and shall cause the same to be published once in a daily newspaper printed and published in the City of Los Angeles as well as posted electronically on the Port of Los Angeles website.

Section 4. The Board Secretary shall transmit to the City Council for approval the Order and Ordinance approving the amendment to Tariff No. 4 pursuant to City Charter Section 653(a).

Section 5. The Board Secretary shall execute the proposed Board Order and Ordinance amending Tariff No. 4, and upon its publication, transmit the Order and Ordinance to the Chief Wharfinger for implementation of the tariff change and posting the amended Tariff No. 4 to the Port's website as regulated by the Federal Maritime Commission.

I HEREBY CERTIFY THAT the foregoing Order was adopted by the Board of Harbor Commissioners of the City of Los Angeles at its meeting held on Dec. 15, 2016


AMBER M. KLESGES
Board Secretary"

Sec. 2. Any person, firm or corporation who violates or knowingly aids or abets a violation of any of the provisions of said Order respecting rules, regulations, rates or charges shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punishable by a fine in a sum not exceeding One Thousand Dollars (\$1,000.00), or by imprisonment in the County jail for not more than six (6) months, or by both such fine and imprisonment.

Sec. 3. That, pursuant to the provisions of Section 653(b) of the City Charter, the Board of Harbor Commissioners shall have the power to suspend, modify or amend temporarily any of the rules or regulations, or any of the rates, tolls or charges prescribed by the aforesaid Order of the Board of Harbor Commissioners for periods not exceeding ninety (90) days, and shall have power to place in effect for a like period of time any temporary rule or regulation, rate, toll or charge for the Harbor District.

Sec. 4. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to City Hall; one copy on the bulletin board located at the Main Street entrance to City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, City Clerk

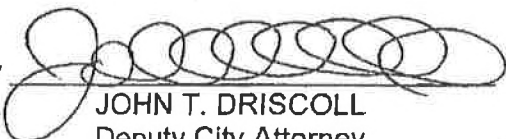
By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By 
JOHN T. DRISCOLL
Deputy City Attorney

Date DECEMBER 9, 2016

File No. _____