


0150-03656-0096

T R A N S M I T T A L

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 06/18/21	COUNCIL FILE NO. 17-0164
FROM The Mayor	COUNCIL DISTRICT 15	

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

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



(Ana Guerrero for)

MAYOR

RHL:JCY:10210142t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 1, 2021

CAO File No. 0150-03656-0096

Council File No. 17-0164, 06-2035

Council District: 15

To: The Mayor

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



Reference: Correspondence from the Harbor Department dated April 6, 2021; referred by the Mayor for report April 22, 2021

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

RECOMMENDATIONS

Approve Harbor Department (Port) Resolution No. 21-9782 authorizing the adoption of Permanent Order No. 21-7295 and a corresponding Ordinance to amend Port of Los Angeles Tariff No. 4, Section Three, Item No. 330, Charges for Pilotage, to update fee schedules and add a draft surcharge; and, return the Resolution 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. 21-9782 authorizing the adoption of Permanent Order No. 21-7295 and a corresponding Ordinance to amend Port of Los Angeles (POLA) Tariff No. 4 Port Fee, Rules and Regulations (Tariff), Section Three, Item No. 330, Charges for Pilotage, to update fee schedules and add a draft surcharge (Amendment). The proposed Amendment will increase Pilotage fees effective April 1, 2021, January 1, 2022, and annually every January 1 thereafter through 2025, for an estimated average annual increase of 5.6 percent. The Port reports that the proposed increases are necessary to fully fund the estimated cost of the Port's Pilotage service, including employee salaries, training costs, maintenance and operating expenditures, and partial capital expenditures over the next four years, through Fiscal Year (FY) 2025.

Most vessels with volumes measuring 300 gross registered tons (GRT) and over require piloting by a federally licensed pilot when entering, departing, or shifting within POLA. The Port maintains a team of federally licensed port pilots to provide Pilotage services as requested by any vessel. All vessels requiring a pilot or using the Pilotage service are subject to the Tariff and Pilotage fees. The Port levies three main Tariff Pilotage fees, based on GRT, length overall (LOA), and a flat-rate surcharge per move. Pilotage service also carries a minimum charge rate and rates for cancellation

within the hour, pilot standby, and second pilot needs. The Pilotage fee rates are set to cover the cost of the Pilotage services. However, the Port reports that, in FY2021, Pilotage services cost \$16.1 million, which includes approximately \$2.5 million to begin construction on two replacement pilot boats, whereas revenue from Pilotage fees is estimated at \$10.1 million. This \$6 million shortfall results in the Port subsidizing the cost of the Pilotage service. Additionally, Pilotage fees have not changed since 2017. In order to target compliance with the Port’s Financial Policies, the Port proposes the Amendment to incorporate a four-year, five-step increase to all Pilotage fee schedules and add a per-foot vessel draft surcharge at an initial amount of \$6. Vessel draft is a measurement of how deep into the water a vessel sits. The following chart details the proposed changes:

Pilotage Fee Schedules - Rates and Ranges

Fee	Effective Date					
	Current	4/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025
GRT	\$0.0063	\$0.00665	\$0.00703	\$0.00742	\$0.00783	\$0.00827
LOA	\$614 – 3,941	\$648 – 4,162	\$685 – 4,395	\$723 – 4,641	\$764 – 4,901	\$806 – 5,175
Surcharge/move	\$105.00	\$110.88	\$117.09	\$123.65	\$130.57	\$137.88
Draft/foot	N/A	\$6.00	\$12.00	\$12.67	\$13.38	\$14.13
Minimum	\$614	\$648	\$685	\$723	\$764	\$806
Cancellation	\$575	\$607	\$641	\$677	\$715	\$755
Standby/hour	\$575	\$607	\$641	\$677	\$715	\$755

The proposed Amendment additionally increases the second pilot fee from 50 percent to 100 percent. The initial pilot fee is the sum of the GRT, LOA, surcharge per move, and the per-foot draft, subject to the minimum charge for pilotage. The proposed changes result in most rates increasing an average of 5.6 percent per step. The Port reports that it will reevaluate any needed fee increases in 2025 for a subsequent five-year period.

The Port made previous amendments to the Tariff Pilotage fees in July 2016, increasing the LOA and most other fees by 10 percent, the GRT by 80 percent, and the surcharge per move from \$52 to \$100 (C.F. 06-2035); in January 2017, increasing the LOA by 25 percent and the GRT and surcharge per move by five percent (C.F. 17-0164); and in October 2017, increasing fees by approximately 14 percent, excluding the GRT and the surcharge per move, which remained unchanged. The Port reports that, despite the proposed increases, the POLA Pilotage rates will remain among the lowest on the west coast of the United States. The Port of Long Beach Pilotage rates, as of April 2021, are generally close to the Port’s proposed rates for 2021, with some rates such as the GRT being higher, and others such as the LOA range being lower than the Port’s.

A Temporary Order, No. 21-7294, authorized by the Board on March 18, 2021 and effective on April 1, 2021, authorized the same provisions as the proposed Tariff amendment, but is only effective for 90 days pending Council approval of the Permanent Order and corresponding Ordinance, pursuant to Charter Sections 653(a) and (b). The Port is a member of the California Association of Port Authorities (CAPA). Adoption of the proposed Tariff Amendment is subject to CAPA review and approval.

The Port estimates that approval of the proposed Amendment will generate approximately \$356,037 in increased revenue in FY2021 and an average annual increase of \$2.9 million through FY2025, based on the estimated number and size of vessels at POLA requiring Pilotage service. The Port additionally estimates projected total revenue from Pilotage service at \$15.5 million in FY2025, which will fully cover projected total Pilotage service operating costs of \$14.7 million.

The City Attorney has approved the proposed Order and ordinance as to form and legality. In accordance with Charter Section 653, the Council must approve the ordinance to amend the Tariff before it can become effective permanently. The Port reports that the proposed action is a Tariff amendment, Order and ordinance, which is an activity modifying a rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Port Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(31) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

The proposed Harbor Department (Port) Resolution No. 21-9782 authorizing the adoption of Permanent Order No. 21-7295 and a corresponding Ordinance to amend Port of Los Angeles (POLA) Tariff No. 4 Port Fees, Rules and Regulations, Section Three, Item No. 330, Charges for Pilotage, to update fee schedules is anticipated to generate an additional \$356,037 in tariff revenue to the Port in Fiscal Year (FY) 2021 and an average of \$2.9 million annually through June 2025, based on the number and size of vessels at POLA requiring pilotage service. The Port anticipates the increases to fully fund the cost of its Pilotage service by FY2025. All funds will be deposited in the Harbor Revenue Fund. The proposed action meets Port Financial Policies. There is no impact on the City General Fund.

RHL:JCY:10210142