

RECOMMENDATION APPROVED;
RESOLUTION NO. 17-8144 ADOPTED; AND
AGREEMENT NO. 17-3515 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

August 10, 2017

Amber M. Klesges
AMBER M. KLESGES
Board Secretary



Executive Director's
Report to the
Board of Harbor Commissioners

8-10-17
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DATE: AUGUST 2 2017
FROM: CARGO MARKETING
SUBJECT: RESOLUTION NO. 17-8144 - APPROVAL OF FOREIGN TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND MOLEX, LLC. FTZ 202, SITE 51

SUMMARY:

Staff requests the approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Molex, LLC. (Molex) to operate its warehouse within FTZ 202, Site 51, located at 12200 Arrow Route, Rancho Cucamonga, California 91739. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreement with FTZ site operators to oversee their FTZ operations.

Site 51 consists of a warehouse totaling approximately 249,000 square feet and office space on 15.08 acres located approximately 60 miles from the Port of Los Angeles. Molex will be operating its warehouse under FTZ procedures as a single-usage site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options.

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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1 (14), 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 Molex, LLC;
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;

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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. 17-8144.

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 (CBP) 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 years extensions (Transmittal 1). Molex is a U.S. company with its head office located in Lisle, Illinois, employing approximately eight full-time and part-time employees working within the FTZ activated area. Molex will operate its FTZ warehouses at 12200 Arrow Route, Rancho Cucamonga, California FTZ 202, Site 51. This facility consists of approximately 249,000 square feet of warehouse and office space on 15.08 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Molex 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. Molex agrees to keep its warehouses open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the container terminals must confine their routes to the designated Wilmington Truck Route.

Need for Approval – Molex is requesting approval from the Harbor Department to execute the proposed agreement to operate Site 51 as a single-usage FTZ warehouse for a term of five years with three, five-year renewal options to operate this site as a FTZ warehouse. Molex receives, stores, re-labels, repackages, manages inventory, and distributes of electrical connectors, cables, lighting, printed circuit boards, optical solutions and various imported products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

If a company 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

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as Long Beach, San Diego, Palmdale, etc., or even going out of state. 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.

Harbor Department Fiscal Requirements –This proposed Agreement will not require funding by the Harbor Department. Molex will pay an annual fee of \$10,000 to the Harbor Department for the term of the proposed Agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with Molex, to operate its site within the FTZ 202 service area at Site 51, located in Rancho Cucamonga, California which an activity is involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from Molex per FTZ Tariff No. 2.

Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ related expenses. During calendar year 2016, approximately \$48,606.25 was spent on outside FTZ related consulting services, while \$336,688 in revenue was collected from the Harbor Department FTZ operators.

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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 for Molex, LLC. FTZ 202, Site 51
2. FTZ 202, Site 51 Map
3. FTZ 202, Service Area Map

FIS Approval:  (initials)
CA Approval:  (initials)



For ERIC CARIS
Director of Cargo Marketing



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

 FOR

EUGENE D. SEROKA
Executive Director