

0150-03656-0078

**TRANSMITTAL**

TO  
Eugene D. Seroka, Executive Director  
Harbor Department

DATE  
AUG 24 2016

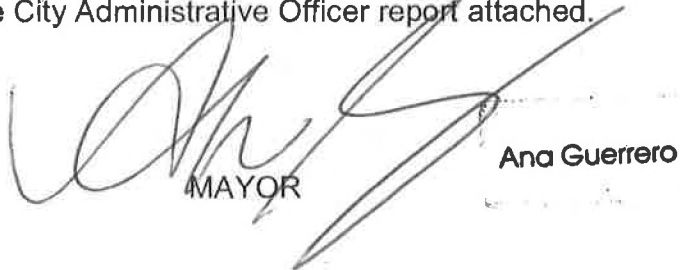
COUNCIL FILE NO.

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 City Administrative Officer report attached.

  
MAYOR  
Ana Guerrero

MAS:ABN:10170012t

REPORT FROM

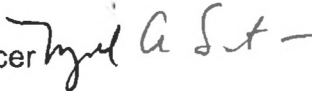
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: August 23, 2016

CAO File No. 0150-03656-0078  
Council File No.  
Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer 

Reference: Correspondence from the Harbor Department dated July 25, 2016; referred by the Mayor for report dated July 26, 2016

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

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**SUMMARY**

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 16-7960 authorizing Permanent Order (Order) No. 16-7902 and Temporary Order No. 16-7901 and approval of a corresponding Ordinance (see Attachment) to amend the Port of Los Angeles (POLA) Tariff No. 4 (Port Fees, Rules and Regulations Manual), Section Three, Item No. 330 – Charges for Pilotage (Pilotage). Pilotage rates include charges assessed against all vessels for piloting services for entering, leaving or moving in and out of the POLA. Tariff No. 4, Item No. 330 for pilotage charges is based on the tonnage and length of a vessel, the tariff surcharges for each move of a vessel, and other Pilotage related costs.

Pursuant to Charter Section (Section) 653, Rates, Rules and Regulations, the Board shall make and enforce rules and regulations to fix (amend) and collect rates and charges by Ordinance, subject to approval the Council. Pursuant to Section 653(b), Temporary Rules or Rates, the Board shall also have the power to enact, suspend or modify any rule, regulation, rate or charge, without Council approval, for a period not to exceed 90 days. This request by the Port proposes to change the Pilotage calculation fees in the Tariff, through an increase of the following three components, retroactively to July 1, 2016:

- Gross Registered Tonnage (GRT) rate from \$0.0034 to a proposed GRT rate of \$0.0060;
- Surcharge per Move from the current rate of \$52 to a proposed rate of \$100 per Move. Surcharge revenue is used for capital improvements, maintenance, and training; and
- Ten percent increase of Pilotage fee for Overall Length of Vessel (LOA) and other fee schedules.

The Port states that the proposed Amendment will increase the Pilotage charges, decrease the current funding shortfall, and assist in providing a balanced budget for the Port Pilots Division. According to the Port, the Tariff for Pilotage charges was last amended in June 2006. At that time, the Port increased Pilotage rates to seven percent and the GRT rate to \$0.0034 and established a \$52.00 Surcharge per Move to fund capital improvement and maintenance projects related to port piloting. Since then, there has been no permanent increase to the Tariff for Pilotage charges.

In addition to the proposed increases to the Pilotage charges, the Port is planning to conduct an efficiency study on the Port Pilot services. According to the Port, if the efficiency study should warrant any additional fee modifications, those changes will be addressed and submitted to the Board at a future date for consideration. In accordance with Charter Section 653, the Board and Council must approve the Order and Ordinance to amend Section Three in Tariff No. 4 before it becomes effective.

## **BACKGROUND**

The charges for Pilotage are published in the POLA Tariff No. 4, Section Three, Item No. 330. The Port provides piloting services for all ships over 300 Gross Tons entering, departing or shifting within the Port. The Port states that a tariff is assessed on all vessels subject to the payment of Pilotage. These tariff assessments fund 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 has been described as one of the oldest professions and 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 lead to the port and final docking of the ship.

Currently, the economic importance and environmental risks associated with the large cargo ships of today make the role of the Port Pilot essential. The owners, operators, charters or agents of any vessels entering, leaving or shifting within the POLA, may request the services of and be piloted by a Port Pilot. The POLA charges for Pilotage are determined by the total costs of the GRT calculation, LOA rate and Surcharge per Move.

## **PROPOSED AMENDMENT TO TARIFF ITEM 330—CHARGES FOR PILOTAGE**

The Port states that the Port Pilot Division has been operating at a budgetary deficit since 2007. The Port also states that prior to 2006, it had periodically adjusted the Tariff for Pilotage charges to maintain a balanced budget. It has been nearly 10 years since the POLA last approved a permanent tariff increase for pilotage. The Port states that it currently costs approximately \$10 million to operate the Port Pilot Division, which exceeds the approximately \$7 million total revenue generated from pilotage fees. According to the Port staff, their goal is to eventually achieve a balanced budget and maintain competitive rates in the Tariff for the Pilotage charges for the POLA and the region.

The proposed Amendment to Tariff Item 330 will increase the Pilotage fees and therefore reduce the current revenue shortfall. In addition, the Port plans to continue to provide for capital improvement and training, customer service delivery and efficiency, and to set-up a more supportable budget model. The Port proposes amendments to Tariff Item No. 330 (b), (d), (e), (f) and (g), which will increase the following Pilotage charges: the GRT from \$0.0034 to \$0.0060; the Move Surcharge from \$52 to \$100; and the LOA fee by approximately 10 percent. In addition, other Pilotage fees that will increase by 10 percent will include: pilot cancellation; pilot stand-by fee; assistance charges for a second pilot; and the minimum pilotage fees and charges. The Port's proposed amendments to Tariff Item No. 330 are expected to increase revenue from Pilotage charges by approximately \$1.5 million annually in Fiscal Year 2016-17, contingent upon the size of the vessels and number of Port Pilot assisted moves. The Port states that the proposed increase is one of a multiphase cost recovery plan, which will enable the Port to operate its pilot operations with a balanced budget.

Port staff had conducted customer outreach and presented a public hearing of the Board (on June 16, 2016) prior to recommending the proposed increases to the Pilotage fees. The Port states that it is planning to conduct an efficiency study of the Pilot services in the future. According to the Port, if the results of the study warrant any additional fee modifications, those changes will be submitted to the Board for review and consideration for approval.

### **CITY COMPLIANCE ISSUES**

The City Attorney has approved the proposed Permanent Order and Ordinance as to form. The proposed action is an amendment to increase Pilotage fees in Tariff No. 4. The Port 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(31) of the Los Angeles City CEQA Guidelines.

### **RECOMMENDATION**

That the Mayor:

1. Approve the Harbor Department (Port) Board of Harbor Commissioners requests to authorize Resolution No. 16-7960 authorizing Temporary Order No. 16-7201 and Permanent Order No. 16-7902 and the corresponding Ordinance to amend the Port of Los Angeles Tariff No. 4 (Port Fees, Rules and Regulations Manual), Section Three, Item No. 330 – Charges for Pilotage, and
2. Return the document to the Port for further processing and to the City Council for their consideration.

### **FISCAL IMPACT STATEMENT**

The Harbor Department (Port) request for the proposed Amendment to Tariff No. 4, Section Three, Item No. 330 will increase charges to Pilotage fees. The increase to the Pilotage fees will reduce the current revenue shortfall, continue to provide funding for capital improvement and training, customer service delivery and efficiency, and establish a more sustainable budget model. The Port's proposed amendments to Tariff Item No. 330 are expected to increase revenue from Pilotage charges by approximately \$1.5 million annually in Fiscal Year 2016-17, depending on the size of future vessels and the number of Port Pilot assisted moves. Annual future revenue amounts will be contingent on the size of the vessels and number of Port Pilot vessel assisted moves.

The Port states that the proposed increase is one of a multiphase cost recovery plan, which will enable the Port to operate the Port Pilot operations with a balanced budget. In addition to the proposed increases to the Pilotage charges, the Port is planning to conduct an efficiency or performance study on the Port Pilot services. There will be no impact to the City's General Fund from the implementation of the proposed Amendment.

## **TIME LIMIT FOR COUNCIL ACTION**

Pursuant to Charter Section 653, the Board of Harbor Commissioners can authorize Permanent Order No. 16-7902 and the corresponding Ordinance to amend the Port of Los Angeles Tariff No. 4, Section Three, Item No. 330 – Charges for Pilotage, for a period not to exceed 90 days without Council approval. Permanent 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.

*MAS:ABN:10170012*

Attachment

**ATTACHMENT**

**ORDINANCE NO. \_\_\_\_\_**

An ordinance approving Order No. 16-7202 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. 16-7202 passed and adopted by the Board of Harbor Commissioners of the City of Los Angeles on the 16th day of June, 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. 16-7202**

A permanent 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 or by posting for ten days in three public places in the City of Los Angeles: on the Port of Los Angeles website; one copy on the bulletin board located at the Main Street entrance to City Hall; and on the electronic bulletin boards located at the Harbor Department building, to take effect prior to adoption by Ordinance for a period not to exceed 90 days pursuant to Charter Section 653(b) and commencing effective \_\_\_\_\_, 2016.

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 June 16, 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), 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.

