

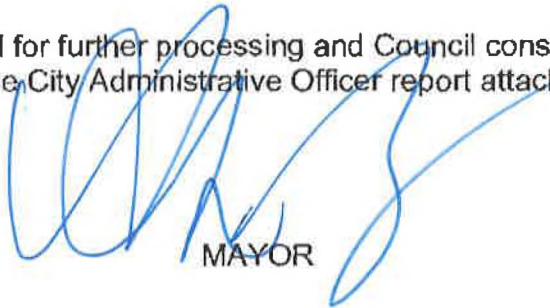
0150-03656-0077

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE AUG 04 2015	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**PROPOSED PERMANENT ORDER NO. 15-7179 TO AMEND THE PORT OF LOS ANGELES  
TARIFF NO. 4, SECTION NO. 3 – PILOTAGE, ITEM 360(b) AND ITEM 370,  
VESSEL TRAFFIC SERVICES USER FEES**

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



MAYOR

MAS:ABN:10160004t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: August 3, 2015

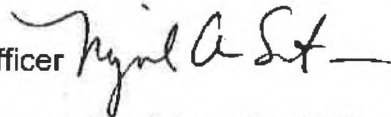
CAO File No. 0150-03656-0077

Council File No.

Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated June 25, 2015; referred by the Mayor for report dated June 30, 2015

Subject: **PROPOSED PERMANENT ORDER NO. 15-7179 TO AMEND THE PORT OF LOS ANGELES TARIFF NO. 4, SECTION NO. 3 – PILOTAGE, ITEM 360(b) AND ITEM 370, VESSEL TRAFFIC SERVICES USER FEES**

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### SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Permanent Order (Order) No. 15-7179 and the corresponding Ordinance to amend the Port of Los Angeles (POLA) Tariff No. 4 (Port Fees, Rules and Regulations Manual), Section Three – Pilotage, Item 360(b) and Item 370, Vessel Traffic Service (VTS) User Fees. Pilotage rates include charges assessed against a vessel for piloting services for entering, leaving or movement in and from the POLA. Item 370 on the VTS monitors and provides mariners with appropriate and accurate information on vessel traffic or activity (port calls) on all inbound and outbound commercial and ship traffic within the areas of the POLA and Port of Long Beach (POLB). The monitoring of the ship traffic assists in ensuring vessel transit safety and environmentally sound and efficient maritime transportation. The request proposes to amend Item 370 and Item 360(b) to increase the current VTS User Fees (VTS Fees) from approximately \$39 to \$319 per ship, effective July 1, 2015, due to the rising cost for VTS operations. According to the Port, the rising costs are due, in part, to a 24 percent decline in the number of ships (ship count) because of the current trend of consolidating cargo into fewer and larger ships calling at the POLA and POLB.

The above referenced Order No. 15-7179 authorizing the proposed Amendment, and this report, incorporate revised information received from the Port subsequent to the initial request submittal.

### DISCUSSION

The VTS Fees are collected by the Marine Exchange of Los Angeles-Long Beach Harbors Inc. (Marine Exchange). The VTS is operated by the Marine Exchange and is a cooperative effort (public/private partnership) of the State of California (State), U.S. Coast Guard, and the POLA/POLB. The Marine Exchange assesses and receives VTS Fees from vessel owners, agents, and other authorized persons. The VTS operates under State governmental codes and POLA/POLB Tariff

rules, regulations and rates. The rates and regulations are published in the port tariffs of the POLA/POLB, but are invoiced by and paid to the Marine Exchange by the vessels assessed and their ownerships or agents. The charges for the VTS Fees are based on the overall length and gross registered weight of each arriving commercial vessels that call at the POLA and POLB terminals. The Port states that the VTS Fees represent approximately 80 percent of the Marine Exchange revenue, with the remaining 20 percent generated from auxiliary vessel tracking and data reporting services.

The Port states that the Marine Exchange has discussed the proposed fee increase with the POLA and POLB stakeholders. Pursuant to Charter Section 653, "Rates, Rules and Regulations," the Port would require the Board and City Council to approve the Order for approval of an increase to the rates. The Marine Exchange is requesting an average increase of \$146 per ship arrival to continue current operations for the VTS. According to the Port, the average adjustment of \$146 was calculated by applying the proposed new fee adjustments to a sampling from an average of the number of ship arrivals from last year. The Port states that VTS Fees at the POLB have historically mirrored those of the POLA and that POLB is anticipated to submit a similar tariff change for approval to their elected decision makers. According to the Port, no POLA funds will be required for the proposed action. The proposed increase

The Marine Exchange has been operating at a fiscal deficit because of a steady decline in ships calling at the POLA. Incoming revenues have not been sufficient to cover outgoing expenses. The VTS fees were last increased by approximately 7.5 percent or an average of \$26 per vessel in 2009 (C.F. 09-0243). The Port states that at the time of the fee increase the ship count had declined by approximately 20 percent. The ship count has continued to decline since that time due to the industry trend of fewer and larger ships calling at the POLA and POLB terminals. There has been a 24 percent decline in vessel arrivals between the years of 2007 through 2014. The Port states that, in 2012, the Marine Exchange reduced VTS staffing to its current levels in an attempt to reduce operating expenses. According to the Port, the Marine Exchange has been able to sustain current operations by partially expending cash reserves that are intended for capital improvements and self-insurance. The Port states that if there is not an increase to the VTS fees and/or number of vessel arrivals, the Marine Exchange will not be able to continue its current level of operations.

The proposed increase to the VTS Fees will pay for and offset rising operating costs for various components of the Marine Exchange operations, including computer and equipment support, maintenance, insurance and qualified staff. The Port states that the VTS Fees represent a small portion, approximately three percent, of the total costs for shipping lines to bring in a vessel into the port terminals, and is not expected to have a significant impact on the arrival of vessels into the POLA. Since the VTS Fees will be invoiced and paid directly to the Marine Exchange by the vessels assessed that enter the POLA and POLB terminals, there will be no impact to the POLA funds.

The City Attorney has approved the proposed Order and Ordinance as to form. The proposed action is an amendment to increase VTS rate charges in Tariff No. 4 and will not impact the physical environment. The Port Director of Environmental Management has determined that the proposed actions are administrative and is therefore exempt from the California Environmental Quality Act (CEQA) under Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

## **RECOMMENDATION**

That the Mayor approve Harbor Department (Port) Board of Harbor Commissioners (Board) proposed Permanent Order No. 15-7179 and the corresponding Ordinance to amend the Port of Los Angeles (POLA) Tariff No. 4 (Port Fees, Rules and Regulations Manual), Section Three – Pilotage, Item 360(b) and Item 370, Vessel Traffic Service User Fees to increase rate charges and return the document to the Port for further processing, including Council consideration.

## **FISCAL IMPACT STATEMENT**

Approval of the request by the Harbor Department (Port) to amend Tariff No. 4 will have no direct financial impact on the Port. The Port is requesting to increase the VTS User Fees from approximately \$39 to \$319 per ship, due to the rising costs and loss of revenue from a decline of approximately seven percent in the number of vessels entering into POLA since 2012. The Port states that the ship count has continued to decline since that time due to the industry trend of fewer and larger ships calling at the POLA and Port of Long Beach (POLB). The POLB has historically adjusted its VTS User Fees to be the same as the POLA and for similar dates. There will be no impact on the City's General Fund.

## **TIME LIMIT FOR COUNCIL ACTION**

Pursuant to Charter Section 653, "Rates, Rules and Regulations," the Board of Harbor Commissioners can authorize a Temporary Order to amend Tariff No. 4 for a period not-to-exceed 90 days. The proposed Permanent Order No. 15-7179 must be approved by the Council and Mayor by Ordinance before it becomes effective.

MAS:ABN:10160004