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File No. 16-0343

ADMINISTRATIVE EXEMPTION and INNOVATION, GRANTS, TECHNOLOGY, COMMERCE, AND TRADE COMMITTEE REPORT relative to the second amendment to the agreement with SA Recycling LLC (SAR) to modify the operational method and structure of SAR's calculations.

Recommendations for Council action:

1. ADOPT the determination by the Los Angeles Harbor Department (LAHD) that the proposed action is exempt under the California Environmental Quality Act (CEQA) as provided in Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.
2. APPROVE the LAHD Resolution No. 16-7892 authorizing the second amendment to Agreement No. 16-2997-B between the LAHD and SAR.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of the proposed second amendment to the Settlement Agreement between the LAHD and SAR will correct inconsistencies involving the tonnage limitations in the Tariff for SAR's containerized scrap metal and how the wharfage fees are incurred currently. Under the proposed amendment the LAHD and SAR will do the following: remove the 1.5 million metric ton limitation and references to payment in Tariff Sections; use the modified method to calculate future wharfage until the expiration of the permit, and for each successive five-year compensation reset period; assess a fixed containerized rate of \$40 per waterborne container that is transferred to or from the premises of SAR, per the provisions of the permit, which based upon an estimated volume of 7,000 Twenty-Foot Equivalent Units would generate approximately \$280,000 in annual revenue to the LAHD when market conditions improve; and, adjust the container rate annually, beginning July 1, 2016; to reflect the annual percentage change in the Consumer Price Index. In the 2014-15 fiscal year, total revenue to the LAHD was approximately \$4 million from the SAR's permit, Settlement Agreement and first amendment, which comprised \$2,400,000 for fixed land rent, \$1,400,000 for wharfage fees and \$200,000 for dockage fees. The proposed amendment proposes no change in the compensation structure for non-containerized or break bulk cargo, dockage or fixed rent. There is no impact on the City General Fund and any revenue collected will be deposited into the Harbor Revenue Fund.

Community Impact Statement: None submitted.

TIME LIMIT FILE – APRIL 22, 2016

(LAST DAY FOR COUNCIL ACTION – APRIL 22, 2016)

SUMMARY

At the meeting held on April 5, 2016, your Innovation, Grants, Technology, Commerce and Trade Committee considered a LAHD transmittal relative to approval of LAHD Resolution No. 16-7892 authorizing a proposed second amendment to Settlement Agreement and Mutual Release of Claims No. 11-2997 (Settlement Agreement) under Permit No. 750 with SAR. SAR is a LAHD tenant which operates a scrap metal recycling and processing facility at Berths 210 and 211 on Terminal Island within the Port of Los Angeles (POLA). The CAO reports that in July 2011, the

Board of Harbor Commissioners (Board) authorized the LAHD and SAR to adopt a Settlement Agreement to modify and provide a method and structure for calculating wharfage fees for past and future containerized scrap metal processed through the POLA. The wharfage fees involve a charge assessed by the LAHD, through its Tariff rates (rules and regulations governing POLA operations), for handling incoming and outgoing cargo. In December 2012, the Board approved the first amendment to extend coverage of the original Settlement Agreement to resolve disputed wharfage fee costs. The proposed second amendment will modify the operational method and structure of SAR in order to encourage and promote more business within the POLA. According to the LAHD, this amendment will correct inconsistencies involving the tonnage limitations in the Tariff for SAR's containerized scrap metal and will modify how the wharfage fees are calculated currently. An opportunity for public comment was held. After a brief discussion, the Committee moved to approve the recommendations contained in the transmittal. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

INNOVATION, GRANTS, TECHNOLOGY, COMMERCE, AND TRADE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
BLUMENFIELD:	YES
BONIN:	ABSENT
KREKORIAN:	YES
BUSCAINO:	YES
MARTINEZ:	YES

ME

-NOT OFFICIAL UNTIL COUNCIL ACTS-