

**TRANSMITTAL**

0150-12467-0000

TO  
Eugene D. Seroka, Executive Director  
Harbor Department

DATE  
11/20/2023

COUNCIL FILE NO.

FROM  
The Mayor

COUNCIL DISTRICT  
15

**RESOLUTION NO. 23-10227 AND PROPOSED FOREIGN TRADE ZONE GENERAL  
PURPOSE OPERATING AGREEMENT NO. 23-9975 BETWEEN THE HARBOR  
DEPARTMENT AND LAXFUEL CORPORATION, FTZ 202, SITE NO. 25**

Approved and transmitted for further processing including Council consideration.  
See the City Administrative Officer report attached.



MAYOR

(Chris Thompson for)

Attachment  
MWS/PJH/JVW:SHF:amm:10240042t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: September 19, 2023

CAO File No. 0150-12467-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles Board of Harbor Commissioners (Board) dated August 29, 2023 regarding August 24, 2023 Board Resolution; referred by the Mayor for report on August 29, 2023

Subject: **RESOLUTION NO. 23-10227 AND PROPOSED FOREIGN TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 23-9975 BETWEEN THE HARBOR DEPARTMENT AND LAXFUEL CORPORATION, FTZ 202, SITE NO. 25**

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### RECOMMENDATION

That the Mayor:

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10227 which authorizes the proposed Foreign Trade Zone (FTZ) General Purpose Operating Agreement No. 23-9975 between the Port and LAXFuel Corporation, to operate its facility within FTZ 202, Site No. 25, for a term of five years with three five-year renewal options commencing on the first day of the month following approval by the City;
2. Adopt the August 24, 2023 Board of Harbor Commissioners finding that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Port Executive Director, or designee, to execute the proposed agreement, already approved as to form by the City Attorney, and return the Resolution documents to the Port for further processing, including Council consideration.

### SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its August 24, 2023 Resolution No. 23-10227 (Attachment 1) which authorizes the proposed Foreign Trade Zone (FTZ) Agreement No. 23-9975 (Agreement) with LAXFuel Corporation (LAXFuel) to operate a warehouse and office at FTZ 202, Site 25, for a five-year term, with three five-year renewal options.

The definition of a FTZ is a restricted access site located in the Customs and Border Protection territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption. The Federal FTZ Board designated the Los Angeles Harbor Department (Port) as the Grantee/Administrator of FTZ 202 for the City of Los Angeles and the surrounding region.

Approval of the proposed Agreement will result in the Port receiving \$10,000 annually in accordance with FTZ Tariff No. 2. Approval of the Agreement is not projected to result in additional, incremental FTZ-related consulting service expenses being incurred by the Port.

The proposed Agreement has been approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our Office has reviewed the request and recommends approval.

## **BACKGROUND**

The Foreign Trade Zone Act of 1934, as amended (19 U.S.C. 81a-81u), was enacted 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.

FTZ 202 is a multi-zone FTZ currently operating more than 28 general purpose sites. The sites include the facilities in the Port area, near Los Angeles International Airport, nearby industrial parks, and other outlying areas. Attachment 2 to this report provides a more detailed overview of FTZ Operating Agreements.

*Prior Agreement* – On June 21, 2012, the Board approved an FTZ General Purpose Operating Agreement No. 12-3074 with LAXFuel to operate at Site 25 for a term of five years, with three five-year renewal options (C.F. 12-1370). The agreement was extended by five years in 2017 and expired in September 2022.

*The Site* – Agreement authorizes LAXFuel to operate a warehouse and offices on 710.8 acres on Port property at Site 25 located at 9900 Laxfuel Road, Los Angeles. The site is operated as a multi-usage FTZ facility and includes three liquid bulk terminals at Berths 118-119, 167-169, and 188-189 at the Port of Los Angeles.

LAXFuel will manage the logistics, handling, storage, inventory, and quality control of aviation cargo and fuel at Site 25. The proposed Agreement allows the firm to operate at Site 25 for a five-year term commencing upon approval by the City, with three five-year renewal options. LAXFuel is a part of the Menzies Aviation-group. Menzies Aviation is an international aviation services business with its headquarters located in Edinburg, Scotland.

LAXFuel must continue to follow all rules and procedures as outlined in the Department of

Homeland Security's FTZ manual, including the provision of a secured area within the FTZ site. The Port indicates that LAXFuel shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles must confine their routes to the designated Wilmington Truck Route which allows overweight container loads to be transported without special authorization. Attachment 2 to the report provides a more detailed overview of FTZ Operating Agreements.

*FTZ Revenues* – During Fiscal Year (FY) 2022, revenues of \$289,336 were collected from the Port FTZ Operators. However, during FY 2022, the Port incurred only \$30,594 in expenses for FTZ consulting services. Approval of the proposed Agreement with LAXFuel will result in an annual payment of \$10,000, which is a fixed rate established by the FTZ Tariff No. 2. Approval of the Agreement requires no direct use of Port funds.

In the event LAXFuel does not obtain approval from the Port to continue as an operator with FTZ status, the company has a choice of going with another FTZ in California such as the one operated by the Port of Long Beach. 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.

## **CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – On August 24, 2023, the Board determined that the proposed action is administratively exempt from requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

The City Attorney has reviewed and approved the proposed Agreement as to form. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed FTZ Operating Agreement No. 23-9975 with LAXFuel Corporation will result in the Harbor Department receiving \$10,000 annually in accordance with FTZ Tariff No. 2. Approval of the Agreement is not projected to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. The recommendations in this reply comply with the Port's Financial Policies. There is no impact to the City's General Fund.

Attachment 1 – August 24, 2023 Board report, Resolution No. 23-10227 and Agreement (No. 23-9975) with LAXFuel Corporation

Attachment 2 – Overview of Foreign Trade Zone (FTZ) and Operating Agreements