

TRANSMITTAL		0150-03656-0106
TO Eugene D. Seroka, Executive Director Harbor Department	DATE 7/10/2024	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15
<p style="text-align: center;">RESOLUTION NO. 24-10366 AND PROPOSED PERMANENT ORDER NO. 24-7370 AMENDING PORT OF LOS ANGELES TARIFF NO. 4 WITH A GENERAL RATE INCREASE OF 3.6 PERCENT, EFFECTIVE JULY 1, 2024</p> <p style="text-align: center;">Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: center;">  MAYOR </div> <p style="text-align: center;">(Carolyn Webb de Macias for)</p> <p>Attachment MWS/PJH/JVW:JAS:10240240t</p>		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 26, 2024

CAO File Nos. 0150-03656-0106

Council File No.

Council District: 15

To: The Mayor



From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Los Angeles Board of Harbor Commissioners (Board) dated June 6, 2024, regarding June 6, 2024 Board Resolution; referred by the Mayor for report on June 6, 2024

Subject: **RESOLUTION NO. 24-10366 AND PROPOSED PERMANENT ORDER NO. 24-7370 AMENDING PORT OF LOS ANGELES TARIFF NO. 4 WITH A GENERAL RATE INCREASE OF 3.6 PERCENT, EFFECTIVE JULY 1, 2024**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Port) Resolution No. 24-10366 authorizing the adoption of the proposed Permanent Order No. 24-7370 and a corresponding Ordinance to amend Port of Los Angeles Tariff No. 4 with a 3.6 percent General Rate Increase, effective July 1, 2024;
2. Adopt the June 6, 2024 Board of Harbor Commissioners finding that the proposed action is categorically exempt from the requirements of California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Harbor Department Executive Director, or designee, to execute the proposed amendment, already approved as to form by the City Attorney, and return the Resolution to the Harbor Department for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its June 6, 2024 Resolution No. 24-10366 authorizing the adoption of the proposed Permanent Order No. 24-7370 and a corresponding Ordinance to amend Port of Los Angeles (POLA) Tariff No. 4 (Tariff) with a 3.6 percent General Rate Increase (GRI) for POLA rated tariff items, with certain specified exceptions, effective July 1, 2024. The proposed rate increase is based on the West Region Consumer Price Index for All Urban Consumers (CPI-U) released by the U.S. Bureau of

Labor Statistics (BLS) for the 12-month period ending December 2023. This rate increase has been adopted by the California Association of Port Authorities (CAPA), of which POLA is a member. The implementation of the proposed GRI is needed to allow the Harbor Department (Port) to keep its rated Tariff items up with the level of inflation.

It should be noted that under a separate action, the Board adopted a Temporary Order within its Los Angeles City Charter authority to approve changes to Tariff No. 4, to be effective July 1, 2024 and will expire 90 days after the effective date or upon execution of the Permanent Order and Ordinance by the City Council, whichever occurs first.

The proposed Permanent Order and Ordinance have been reviewed and approved as to form by the City Attorney. Pursuant to Charter Section 653(a), Council must approve by Ordinance to amend the Tariff before it can become effective permanently. Our Office has reviewed the request and recommends approval.

BACKGROUND

POLA Tariff No. 4, adopted July 12, 1989 by Order No. 5837, and Ordinance No. 165789 adopted April 10, 1990, sets rules, regulations, and fees for access to and usage of POLA facilities and services and across POLA-controlled waterways. Tariff fee receipts make up the bulk of the Port's operating revenue, which the Port uses to administer the Department and POLA operations, and maintain and improve its facilities and infrastructure. The Port periodically reviews and updates Tariff rates and rules to keep pace with market rates in compliance with Port Financial Policies. Pursuant to Charter Sections 653(a) and (b), the Board has authority to make changes to the Tariff for a period not to exceed 90 days under each Temporary Order, but a Permanent Order must be approved by Council by Ordinance. Our report covers the recommended annual GRI, prior GRIs since 2004, exemptions to the GRI, impacts of the increased GRI, among other information in the Board's June 6, 2024 Resolution No. 24-10366.

Annual GRI Methodology - POLA is a member of CAPA, which comprises 11 major deepwater port authorities across the State of California and has adopted an annual GRI methodology for tariffs based on the CPI-U released by BLS. The BLS has identified a 3.6 percent increase in the CPI-U for the 12-month period ending December 2023. The implementation of a GRI allows the Port to keep its rated Tariff items up with the level of inflation.

Prior GRIs and Rate Increase for Petroleum Products – The Port implemented only two GRIs from 2004 to 2021: a 5 percent increase in calendar year 2004 and a temporary 1.7 percent increase in 2013. Since then, and in accordance with Port Financial Policies, the Port has recommended annual rate adjustments.

- On July 20, 2023, the Board approved a 6.2 percent GRI, effective September 1, 2023 (C.F. 24-0111 and Ordinance No. 188194).
- On April 28, 2022, the Board approved a 7.1 percent GRI, effective August 1, 2022 (C.F. 22-1129 and Ordinance No. 187649).
- On November 4, 2021, the Board approved rate increases of 9.4 and 11.8 percent on respective petroleum products (Tariff Item Nos. 550-600 through 550-625), effective January 1, 2022 (C.F. 22-0510 and Ordinance No. 187506).
- On May 16, 2013, the Board approved a 1.7 percent GRI, effective July 1, 2013 under a

90-day Temporary Order only, which was extended twice for a total 9-month temporary period. The Temporary Order expired when Council did not take action to implement the rate increase permanently (C.F. 13-0695).

- On November 12, 2003, the Board approved a 5 percent GRI, effective January 1, 2004 (C.F. 04-0048 and Ordinance No. 175799)

Tariff Items Affected by the Proposed GRI – The proposed GRI of 3.6 percent, effective July 1, 2024, is applicable to most of the POLA Tariff rated items, with certain specified exceptions. Appendix A (Attachment 1) provides a summary of the Tariff sections, items and rates affected by the proposed GRI.

Container Terminal Operator Impacts – Among more than 100 items covered by the Tariff, the wharfage on Merchandise Not Otherwise Specified (NOS) (Tariff Item No. 550-001), is arguably the most impactful rate. The Merchandise NOS is a wharfage rate charged to commodities transported by cargo containers that are not specifically listed in the Tariff. This rate applies to a majority of items that travel through POLA. The proposed GRI would increase the Merchandise NOS rate from 710 to 736 cents per 1,000 kilograms or per cubic meter. The revenue increase at the container terminals would account for approximately 90 percent of the total estimated operating revenue increase due to the proposed GRI.

Container terminal permits include a scheduled compensation review process. The scheduled compensation adjustment can be a fixed value or a percentage increase based on the CPI. The proposed GRI would apply, but not necessarily immediately impact rates to five of the seven POLA container terminal permit holders listed:

1. APM Terminals Pacific, LTD
2. China Shipping Holding Company, LTD
3. Everglades Company Terminal, Inc.
4. Everport Terminal Services, Inc.
5. Yusen Terminals, Inc.

Two POLA container terminal permit holders are not subject to the proposed GRI:

1. Fenix Marine Services – Rates are subject to a GRI only when all other container terminal permits see GRI increases in rates.
2. TraPac Inc. – The permit includes a separate schedule rate increase. Further, TraPac's annual storage and demurrage are not subject to a GRI.

Additional Tariff Items Exempted from the Proposed GRI:

- Pilotage (Item No. 330) – Currently on a 5-year rate increase schedule approved by the Board in April 2021 (C.F. 17-0164).
- Passenger Fees (Item No. 600) – Currently on a 5-year rate increase schedule approved by the Board in August 2023 (C.F. 24-0112)
- Alternative Maritime Power (AMP) System Cost Passenger Fees (Item No. 605) - This rate is pending Finance analysis, and may be updated in a future tariff update, if future analysis determines that a passenger fee increase is necessary to cover the cost of cruise ship AMP System power.

- Space Assignments (Item No. 810) – Rates reset and increase based on annual CPI and were last approved by the Board in October 2020 (C.F. 16-1218-S1).
- Parking Charges (Item No. 1300) – On a separate fixed rate increase schedule, last approved by the Board in February 2019 (C.F. 14-1106-S2).
- Clean Air Action Plan (Item No. 2040) – Clean Truck Program fees and rates were approved by the Board in November 2021 and are set at specific amounts not intended to be influenced by economic indices (C.F. 12-1316-S4).
- Incentive Programs (Item Nos. 2300-2340) – Rates set at a specific amount not intended to be influenced by economic indices.

Revenue Increase – If the proposed GRI of 3.6 percent, effective July 1, 2024, is implemented, the Port estimates that operating revenues through December 31, 2024 would increase by approximately \$2.2 million, and the annual revenues the following year through December 31, 2025 would increase by approximately \$4.7 million, detailed in Table 1.

Table 1: Tariff No. 4 Change in Revenues / Resolution No. 24-10366 / Order No. 24-7370			
Summary of Operating Revenue Increase	July 1 – Dec. 31, 2024	Jan. 1 – Dec. 31, 2025	Total
Container Terminals	\$2,068,686	\$4,320,235	\$6,388,921
Non-Container Terminals	\$180,904	\$366,466	\$547,370
Total	\$2,249,590	\$4,686,701	\$6,936,291

Current Temporary Order – On June 6, 2024, the Board authorized Temporary Order No. 24-7370 approving the same provisions as the proposed Tariff Amendment, effective July 1, 2024 for a period not to exceed 90 days.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On June 6, 2024, the Board determined that the proposed action is to approve a Permanent Order to amend Port of Los Angeles Tariff No. 4, which is an activity that modifies any rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from requirements of CEQA pursuant to Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

The City Attorney has reviewed and approved the proposed Permanent Order and Ordinance as to form. Pursuant to Charter Sections 653(a) and (b), the Board has authority to issue a temporary order for a period not to exceed 90 days, but Council must approve by ordinance to amend the Tariff before it can become effective permanently. Our Office recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed Permanent Order No. 24-7370 would implement a general rate increase (GRI) to all revenue-generating items, with certain exceptions, under Port of Los Angeles Tariff No. 4, effective July 1, 2024. The most significant wharfage rate on Merchandise Not Otherwise Specified (NOS) (Item 550-001) would increase from 710 to 736 cents per 1,000

kilograms or per cubic meter. If the proposed GRI is implemented, the Port estimates an increase in operating revenues of \$6,936,291 through 2025. From July 1, 2024 through December 31, 2024, operating revenue is estimated at \$2,068,686 for container terminals and \$180,904 for non-container terminals, and from January 1, 2025 through December 31, 2025, operating revenue is estimated at \$4,320,235 for container terminals and \$366,466 for non-container terminals.

The recommendations in this report and proposed actions comply with the Port's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 - Appendix A: Summary of the Tariff No. 4 Sections Affected by the Proposed Amendment

Attachment 2 – June 6, 2024 Harbor Department Board Report, Resolution No. 24-10366 and Proposed Permanent Order No. 24-7370

MWS:PJH/JVW:JAS:10240240

APPENDIX A

Summary of the Tariff No. 4 Sections Affected by the Proposed Amendment

Section No.	Section Name	Item No.	Item Name	Item Rate Examples
4	Dockage	450	Penalty for Failure to Pay When Due	Flat rate in addition to double the dockage incurred
		480	Full Dockage	Charge per 24-hour day based on vessel length
5	Wharfage	550-001 through 550-801	Wharfage Rates	Merchandise Not Otherwise Specified (NOS), empty containers, fruits, beverages, building supplies, transferred merchandise, coffee, cans, foods, metals, slabs, livestock, lumber, newsprint, vehicles, auto parts, animal feed, cotton, wastepaper, meats, seafood, stone, tile, petroleum products, passengers, merchandise in bulk, merchandise in bulk in containers, and project cargo
7	Free Time, Wharf Demurrage, and Wharf Storage	780	Rates for Wharf Demurrage after Expiration of Free Time	Flat rate minimum wharf demurrage charge, Merchandise NOS charge per day, Automobiles charge per day
		790	Wharf Storage	Minimum charge per lot, Merchandise NOS stored in cargo containers or trailers
9	Container Cranes	900	Rules and Regulation Governing the Use of Container Cranes	First hour flat rate charge for use of container cranes and subsequently per 15 minute increments
11	Charges for Occupancy of Office Space...	1100	Monthly Charges for Occupancy of Office Space, etc.	Class A, B, and C office space rates per square foot per month subject to a minimum charge
12	Water and Electricity	1200	Fresh Water Rates	Maximum monthly charge, service charge for portable meter
15	Public Landings	1525	Unlawful for Vessels to Remain ...	Flat rate per day in addition to quadruple the dockage rates applicable
		1530	Vessels Over 80 Gross Tons Not To Dock ...	Flat rate per day in addition to quadruple the dockage rates applicable
18	General Rules and Regulations – Misc.	1802	Diving and Related Activities	Flat rate for first year permit fee and flat rate for each yearly renewal
19	Commercial Fishing Vessel	1910	Unlawful for Commercial Fishing Vessels to Remain at ...	Flat rate per day in addition to quadruple the dockage rates applicable
		1930	Dockage Rates and Charges ...	Annual Permit rate by length of vessel per meter per month