

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **TRADE, COMMERCE, AND TOURISM** Committee

report as follows:

GENERAL EXEMPTION, TRADE, COMMERCE, AND TOURISM COMMITTEE REPORT relative to an amendment to Permit No. 733 between Eagle Marine Services, Ltd. and City of Los Angeles Harbor Department regarding 2010 Container Customer Initiatives.

Recommendations for Council action:

1. FIND that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 1 of the Los Angeles City CEQA Guidelines.
2. APPROVE the proposed fourth amendment to Permit No. 733 granted to Eagle Marine Services, Ltd., - City of Los Angeles Harbor Department 2010 Container Customer Initiatives.
3. CONCUR with the Board of Harbor Commissioners' (Board) action of February 18, 2010 approving the amendment.

Fiscal Impact Statement: The Harbor Department reports the following:

Costs and/or Revenue Impact: The total cost of the 2010 Container Customer Initiatives for the permit amendment projected to be approximately \$3,537,543 for Fiscal Years 2008-2009 and 2009-2010: approximately \$3,510,505 for the one-time container terminal rent credit, and \$27,037.78 for reimbursement for lighting modifications. Additionally, it is anticipated that there will be no ongoing annual cost impacts associated with the trans-shipped container wharfage discounts. Incentive amounts will be charged against the ongoing operating revenues generated from the customers with the net effect of reducing the overall operating revenues to the Harbor Department during each respective fiscal year.

The department also notes that at the current level of operating revenues, current projected pace of operating revenue generation, and operating and capital expense spending, it is estimated that with these discount programs, the Harbor Department will continue to be able to exceed its debt service coverage policy of 2.0x for the current fiscal year. To maintain a 2.0x debt service coverage ratio beyond the current year, continued balancing of operating revenues, expenses, and capital spending will required.

Benefits of Funding - The Harbor Department further states that with all others things being equal, any reduction to revenues reduces the cash flow to the department. By undertaking the above programs, the Harbor Department provides financial assistance to its major customers in a difficult economic environment. Central to the discount programs is being cognizant of the economic challenges faced by the largest contributors to the Harbor Department's revenues. The major terminal operators that will primarily benefit from this program generate the bulk of total operating revenues the Harbor Department receives in any given fiscal year. Recognizing that level of revenue contribution, the Harbor Department tangibly demonstrates its recognition

of its main customers' difficulties. In the long term, these actions seek to retain and perhaps increase economic benefit to the Harbor Department and the region.

Sources of Funding - Funds in the amount of \$27,037.78 to reimburse Eagle Marine for lighting modifications are available in Account No. 54510, Work Order No. 24766, Center No. 1134, Program No. 639, and Job No. 206-55.

Community Impact Statement: None submitted.

TIME LIMIT FILE - JUNE 6, 2010

(LAST DAY FOR COUNCIL ACTION – JUNE 4, 2010)

SUMMARY

At a regular meeting held on May 19, 2010, the Trade, Commerce, and Tourism Committee considered the amendment to the amendment to Permit No. 733 between Eagle Marine Services, Ltd. and City of Los Angeles Harbor Department regarding 2010 Container Customer Initiatives. An opportunity for public comment was held. After a brief discussion, the Committee moved to approve the recommendations contained in the Board of Harbor Commissioners report. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

TRADE, COMMERCE, AND TOURISM COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
HAHN:	YES
ROSENDAHL:	YES
LABONGE:	ABSENT

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Not Official Until Council Acts