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8.24.23

RECOMMENDATION APPROVED;
RESOLUTION 23-10227 ADOPTED AND;
AGREEMENT 23-9975 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

August 24, 2023
AM KLESGES
AMBER M. KLESGES
Board Secretary



DATE: AUGUST 16, 2023

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 23-10227 - APPROVAL OF FOREIGN-TRADE ZONE (FTZ) GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND LAXFUEL CORPORATION, FTZ 202, SITE 25

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and LAXFuel Corporation (LAXFuel), to operate its facility within FTZ No. 202, Site 25, located at 9900 Laxfuel Road, Los Angeles, CA 90045. Site 25 consists of various liquid bulk terminal refineries, storage tanks, and pipelines totaling 710.8 acres. Site 25 includes three liquid bulk terminals located on Harbor Department properties at Berths 118, 119, 167, 168, 169, 188, and 189.

The proposed Agreement is for a term of five years with three, five-year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from LAXFuel (per FTZ Tariff No. 2).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the Harbor Department and LAXFuel Corporation;
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. 23-10227.

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SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH LAXFUEL CORPORATION, FTZ 202, SITE 25

DISCUSSION:

Background and Context – The FTZ Act of 1934, as amended (19 U.S.C. 81a-81u), was established 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. The definition of an FTZ is a restricted access site located in the U.S. 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.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extensions (Transmittal 1). LAXFuel is part of the Menzies Aviation-group. Menzies Aviation is an aviation services business providing ground handling, cargo handling, and fueling operations. Menzies Aviation is based in Edinburg, Scotland. LAXFuel will operate its FTZ Site 25 at 9900 Laxfuel Road, Los Angeles, CA 90045. The facility consists of storage tanks and office space on 710.8 acres (Transmittals 2 and 3).

LAXFuel shall follow the rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ. LAXFuel shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles confine their routes to the designated Wilmington Truck Route. Jet fuel is predominately transported by pipeline from liquid marine terminals and refineries.

Need for Approval – LAXFuel is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 25 as a single-usage FTZ facility. LAXFuel handles the logistics, handling, storage, inventory, and quality control of jet fuel.

If LAXFuel does not obtain approval as an operator with FTZ status from the Harbor Department, they potentially have the choice of going to another FTZ in California such as Long Beach.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval for the FTZ Agreement with LAXFuel, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH LAXFUEL CORPORATION, FTZ 202, SITE 25

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from LAXFuel (per FTZ Tariff No. 2).

Approval of the FTZ Operating Agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2022, revenues of \$289,336 were collected from Harbor Department FTZ operators relative to FY 2022 expenses of \$30,594 incurred by the Harbor Department for consulting services.

CITY ATTORNEY:

The City Attorney's Office has prepared and approved the proposed Operating Agreement as to form and legality.

TRANSMITTALS:

1. Proposed FTZ Operating Agreement, FTZ 202, Site 25
2. FTZ 202, Site 25 Site Map
3. FTZ 202 Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: 

CA Approval: 

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

for Michael DiBernardo
EUGENE D. SEROKA
Executive Director
EC:MVD:aa