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REPORT NO. R 21 - 0106
MAR 25 2021

REPORT RE:

**DRAFT ORDINANCE AMENDING PORT OF LOS ANGELES
TARIFF NO. 4, SECTION THREE – PILOTAGE**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. Pursuant to Charter Section 653(a), this draft ordinance would approve Board of Harbor Commissioners Order No. 21-7295, thereby amending the Port of Los Angeles Tariff No. 4, Section Three, Item No. 330 to increase the charges for pilotage. The Harbor Department maintains a staff of federally licensed port pilots who provide piloting services for vessel movements within the Port of Los Angeles. A tariff is assessed against all vessels subject to the payment of pilotage. These tariff assessments fund port pilot operations to include employee salaries, capital improvements, maintenance and training. The proposed amendment would incorporate a five-step increase over 2021-2025, affecting all fee schedules related to pilotage and includes the proposed addition of a draft surcharge (Draft Surcharge) assessed to each vessel requiring pilotage.

Charter Findings

On March 18, 2021, pursuant to Los Angeles City Charter Sections 652(a), 652(c) and 653(a), the Los Angeles Board of Harbor Commissioners (Board) adopted Order No. 21-7295, approved the enclosed draft ordinance and recommended that the

City Council adopt it. Under Charter Section 653(a), BOHC Order No. 21-7295 must be approved by the City Council, by ordinance, in order to become effective.

Background and Discussion

The Harbor Department provides piloting service to any vessel entering, departing or shifting within the Port when so requested by her owners, master, operators, charterers or agents. Additionally, the Harbor Department provides piloting services for all ships over 300 gross tons entering, departing or shifting within the Port. A tariff is assessed against all vessels subject to the payment of pilotage. The charges for pilotage are published in the Port of Los Angeles Tariff No. 4, Section Three, Item No. 330.

There are currently three basic components which form the tariff charges for pilotage assessed to vessels subject to the payment of pilotage. These components are based on Gross Registered Tonnage (GRT), Overall Length of Vessel (LOA), and a general assessment (Surcharge per Move). The charge for pilotage is the sum of the GRT calculation, the LOA rate and the Surcharge per Move.

Since 2017, there has been no increase to the pilotage Tariff or related charges. Currently, the projected cost of the pilot service for Fiscal Year (FY) 2021 is \$14,956,161 which includes estimated capital expenses of approximately \$2.54 million to complete the construction of two new pilot boats. Under the existing pilotage tariff structure, the projected revenue collected by the pilot service is expected to be \$10,114,140, which is expected to result in a deficit of \$4,842,021.

The proposed amendment would incorporate a five-step increase over 2021-2025, affecting all fee schedules related to pilotage and includes the proposed addition of a draft surcharge (Draft Surcharge) assessed to each vessel requiring pilotage at an initial level of \$6.00 per foot. Effective April 1, 2021, the GRT would increase to \$0.00665, the fee attributable to LOA would initially increase by 5.6 percent, and the Surcharge per Move would increase to \$110.88. Effective January 1, 2022, the Draft Surcharge would increase to \$12.00 per foot, and all other fee schedules related to pilotage would again increase 5.6 percent. Effective January 1, 2023, and each January 1, thereafter, all fees schedules related to pilotage would increase by 5.6 percent. During calendar year 2025, the Harbor Department will re-evaluate whether any additional fee increases would be necessary over the subsequent five-year period.

Summary of Ordinance Provisions

The Harbor Department proposes amendments to Port Tariff No. 4 Item No 330, Subsections (b), (d), (e), (f), (g), and add new Item No. 330 (h) for draft surcharge "Charges for Pilotage."

Modify: (f): Modify language “a charge of one-half (1/2)” to “an additional charge equal to 100% of the total of the first pilot fee.”

Addition: “(h): Effective April 1, 2021, a draft surcharge of \$6.00 per foot of draft will be assessed to each vessel.”

Effective April 1, 2021, the GRT would increase to \$0.00665, the LOA would increase approximately 5.6 percent and include the proposed addition of a Draft Surcharge of \$6.00 per foot and the Surcharge per Move would increase to \$110.88.

Effective January 1, 2022, the Draft Surcharge would increase to \$12.00 per foot, and all other fee schedules related to pilotage would again increase 5.6 percent.

Effective January 1, 2023, and each January 1 thereafter, all fees schedules related to pilotage would increase by 5.6 percent. During calendar year 2025, the Harbor will re-evaluate whether any additional fee increases would be necessary over the subsequent five-year period.

The proposed Tariff amendment is anticipated to increase revenues to a level that would fully fund employee salaries, training costs, maintenance expenditures and other operating costs, as well as offset capital costs including \$6,728,923 for two new pilot boats, required to replace deteriorated 23-year-old vessels.

Despite the proposed increases, the pilotage rates for the Los Angeles Pilot Service will remain among the lowest on the west coast of the United States. By FY 2025, with a projected total revenue \$15,452,571 and projected total operating costs of \$15,028,103, the pilot service is anticipated to show a positive cash flow of \$424,468.

CEQA Findings

The proposed action is the amendment of Port Tariff No. 4, Section Three, Item No. 330, to increase Pilotage Fees, which is an activity modifying a rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Harbor Department has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III, Class 1(31) of the Los Angeles City CEQA Guidelines.

Council Rule 38 Referral

The Harbor Department is the proposing department, and the Tariff amendments were discussed and considered with Harbor Department management and staff present in a full public hearing of the Board of Harbor Commissioners on March 18, 2021.

Increase in Existing Fees

We note that, because this ordinance would effectuate increases in existing fees, notice of its proposed adoption should be given in accordance with the provisions of California Government Code sections 66018 and 6062a. Those sections of State law require that prior to adoption of a new or increased fee a public hearing be held and notice of that hearing be published in a newspaper with two publications at least five days apart over a ten-day period. The notice period begins the first day of publication, and there must be at least five days intervening between the first and the second publications, not counting the dates of publication.

If you have any questions regarding this matter, please contact Assistant City Attorney Joy Crose at (310) 732-3750. She or another member of this Office will be available when you consider this matter to answer any questions you may have.

Sincerely,

MICHAEL N. FEUER, City Attorney

By 

DAVID MICHAELSON
Chief Assistant City Attorney

DM:JMC:cp
Transmittal