

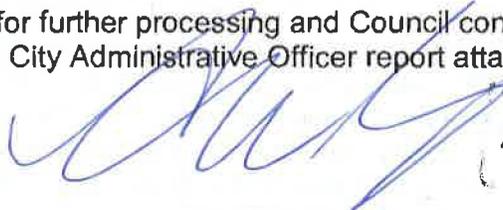
0150-03656-0083

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE <b>JUL 19 2017</b>	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT <b>15</b>	

**PROPOSED PERMANENT ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4,  
SECTION THREE, ITEM NO. 330 – "CHARGES FOR PILOTAGE"**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.



Ana Guerrero

MAYOR

RHL:ABN:101701441

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: July 14, 2017

CAO File No. 0150-03656-0083  
Council File No.  
Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Correspondence from the Harbor Department dated June 12, 2017; referred by the Mayor for report dated June 29, 2017

Subject: **PROPOSED PERMANENT ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE, ITEM NO. 330 – "CHARGES FOR PILOTAGE"**

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### RECOMMENDATION

That the Mayor:

1. Approve the Harbor Department (Port) requests to authorize Resolution No. 17-8115 and the corresponding Ordinance to amend the Port of Los Angeles Tariff No. 4 (Port Fees, Rules and Regulations Manual), Section Three, Item No. 330 – Charges for Pilotage; and,
2. Return the document to the Port for further processing, including City Council consideration.

### SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 17-8115 authorizing Permanent Order (Order) No. 17-7222 and a corresponding Ordinance (see Attachment) to amend the Port of Los Angeles (POLA) Tariff No. 4, Section Three, Item No. 330 – Charges for Pilotage (Pilotage). Pilotage rates include charges assessed against all vessels for piloting services when entering, leaving or moving in and out of the POLA. Tariff No. 4, Item No. 330 for pilotage charges is based on the tonnage and length of a vessel, the tariff surcharges for each move of a vessel, and other Pilotage related costs.

Pursuant to Charter Section (Section) 653, Rates, Rules and Regulation, the Board will make and enforce regulations to fix (amend) and collect rates and charges by Ordinance, subject to approval of the Council. This request by the Port proposes to change the Pilotage calculation fees in the Tariff, through an increase or maintenance of the following three components, retroactive to July 1, 2017: (1) Gross Registered Tonnage (GRT) rate remains at \$0.0063; (2) Surcharge per Move also remains at \$105 per Move; and, (3) a 14 percent increase of Pilotage fees for Overall Length of Vessel (LOA) and other fee schedules. The Port states that the proposed Amendment will increase the Pilotage charges, decrease the current funding shortfall, and assist in supporting the ongoing phased cost recovery to balance the budget for the Port Pilot Division. Current pilot revenues are expected to increase by approximately \$4 million per year, depending on the number of vessels, vessel size, vessel weight and number of pilot-assisted vessel moves.

The Port states that a tariff is assessed on all vessels subject to the payment of Pilotage. The POLA charges for Pilotage are determined by the total costs of the GRT calculation, Surcharge per Move, and LOA rates. The owners, operators, charters or agents of any vessels entering, leaving or shifting within the POLA, may request the services of and be piloted by a Port Pilot. The Port maintains federally licensed port pilots to perform the services of piloting vessels into and out of the POLA. Pilotage has been described as one of the oldest professions and is considered be one of the most important functions for maritime safety. The economic importance and environmental risks associated with the large cargo ships of today make the role of the Port Pilot essential. These tariff assessments fund Port Pilot operations, including employee salaries, capital improvements, maintenance and training.

The Port states that it currently costs approximately \$10.5 million to operate the Port Pilot Division. This exceeds the approximately \$7.7 million in pilotage revenue generated from pilotage fees. The proposed Amendment will generate an overall increase in Pilotage revenue fees of \$4 million per year, based on the number and size of the vessels being assisted by port pilots moving into and out of the POLA. The increase to the pilotage fees will reduce the current revenue shortfall to the budget. The Amendment also will enable the Port to off-set capital improvement and training costs, deliver better customer service, and establish a more sustainable business model. The goal of the Port is to achieve a balanced budget and maintain competitive rates in the Tariff for the Pilotage charges for the POLA and region. The revised charges will not balance the budget, but allow the Port to get closer to its on-going objective to achieve a balanced budget for the Port Pilot Division. In addition, other Pilotage fees that will increase by 14 percent include: pilot cancellation; pilot stand-by fee; assistance charges for a second pilot; and minimum charges for pilotage fees. If any additional Pilotage fee modifications are warranted, the Port will submit them to the Board for review and approval consideration.

The City Attorney has approved the proposed Resolution as to form. The Port Director of Environmental Management states that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) and the Los Angeles City CEQA Guidelines.

### **FISCAL IMPACT STATEMENT**

The proposed Amendment of the Harbor Department (Port) will increase or maintain charges to the Port Pilotage (pilotage) fees on a phased approach to balance the budget. It currently costs approximately \$10.5 million to operate the Port Pilot Division, which exceeds the approximately \$7.7 million in pilotage revenue generated from pilotage fees. The proposed Amendment will increase the total pilotage fees by approximately 14 percent. The pilotage fees will increase pilotage revenue by approximately \$4 million per year, based on the number and size of the vessels being assisted by port pilots in the POLA. In addition, the increase to the pilotage fees will reduce the current revenue shortfall to the budget and continue to provide funding for capital improvements and training, customer service delivery and efficiency, and establish a more sustainable business model.

*RHL:ABN:10170144*

Attachment

ATTACHMENT

ORDINANCE NO. \_\_\_\_\_

An ordinance approving Order No. \_\_\_\_\_ of the Board of Harbor Commissioners of the City of Los Angeles, amending Port of Los Angeles Tariff No. 4.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. That Order No. 17-7222 passed and adopted by the Board of Harbor Commissioners of the City of Los Angeles on the 4 day of June, 2017, amending Port of Los Angeles Tariff No. 4, be, and the same is hereby ratified, confirmed and approved, which Order is in words and figures as follows:

"ORDER NO. 17-7222

An Order of the Board of Harbor Commissioners of the City of Los Angeles amending Port of Los Angeles Tariff No. 4.

**THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF  
LOS ANGELES DOES HEREBY ORDER AS FOLLOWS:**

Section 1. Port of Los Angeles Tariff No. 4, adopted July 12, 1989, by Order No. 5837, and Ordinance No. 165,789, adopted April 10, 1990, as amended, is further amended as set forth in Exhibit "A," attached hereto and incorporated herein by reference.

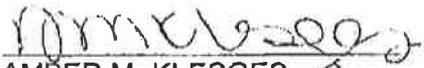
Section 2. The Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(31) of the Los Angeles City CEQA Guidelines.

Section 3. The Board Secretary shall certify to the adoption of this Order by the Board of Harbor Commissioners and shall cause the same to be published once in a daily newspaper printed and published in the City of Los Angeles, as well as posted electronically on the Port of Los Angeles website.

Section 4. The Board Secretary shall transmit to the City Council for approval the Order and Ordinance approving the amendment to Tariff No. 4 pursuant to City Charter Section 653(a).

Section 5. The Board Secretary shall execute the proposed Board Order and Ordinance amending Tariff No. 4, and upon its publication, transmit the Order and Ordinance to the Chief Wharfinger for implementation of the tariff change and posting the amended Tariff No. 4 to the Port's website as regulated by the Federal Maritime Commission.

I HEREBY CERTIFY THAT the foregoing Order was adopted by the Board of Harbor Commissioners of the City of Los Angeles at its meeting held on June 1, 2011

  
AMBER M. KLESGES  
Board Secretary"

Sec. 2. Any person, firm or corporation who violates or knowingly aids or abets a violation of any of the provisions of said Order respecting rules, regulations, rates or charges shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punishable by a fine in a sum not exceeding One Thousand Dollars (\$1,000.00), or by imprisonment in the County jail for not more than six (6) months, or by both such fine and imprisonment.

Sec. 3. That, pursuant to the provisions of Section 653(b) of the City Charter, the Board of Harbor Commissioners shall have the power to suspend, modify or amend temporarily any of the rules or regulations, or any of the rates, tolls or charges prescribed by the aforesaid Order of the Board of Harbor Commissioners for periods not exceeding ninety (90) days, and shall have power to place in effect for a like period of time any temporary rule or regulation, rate, toll or charge for the Harbor District.

