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REPORT NO. R 17 - 0008  
JAN 10 2017

**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. 16-7215, 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 will increase the Port's pilotage revenues by approximately \$3 million dollars annually, depending on both the size of future vessels calling at the Port and the number of pilot assisted moves. The proposed increases are part of a phased cost recovery strategy designed to balance the Port Pilot Division budget and are being made following a recent efficiency study which the Harbor Department shared with maritime industry representatives. Previous to a recent pilotage charge increase, the charges for pilotage had not been increased since 2006, leading to the current budgetary imbalance. The Harbor Department indicates that the rates for pilotage in the Port of Los Angeles will remain competitive and among the lowest on the West Coast.

### Charter Findings

On December 15, 2016, 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. 16-7215, approved the enclosed draft ordinance and recommended that the City Council adopt it. Under Charter Section 653(a), BOHC Order No. 16-7215 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.

On July 1, 2016, the Tariff was amended to increase the LOA rate by ten percent (10%), increase the GRT charge from \$0.0034 to the current rate of \$0.0060, and increase the Surcharge per Move from \$52 to \$100 pursuant to Board Order No. 16-7202. Board Order No. 16-7202 also approved the expansion of the LOA charge to include any vessel 394 meters and over. This rate change was the first step in the Harbor Department's incremental strategy towards balancing the Port Pilot Division budget which was designed to reduce the overall impact of the rate increase to the customers.

Currently the Harbor Department's approximately \$10 million cost to operate the Port Pilot Division exceeds the approximately \$7 million total revenue generated from pilotage fees. Prior to 2006, the Harbor Department had primarily adjusted the pilot tariff rate structure to maintain a balanced budget. Since 2007, the Port Pilot Division has been operating at a deficit and will continue to do so until increases can be implemented. The Harbor Department made the decision to withhold adjustments to the pilot tariff rate structure in order to increase competitiveness in a very competitive market that was negatively impacted by the global recessionary economic conditions existing at the time. The Harbor Department seeks the proposed actions to close the current funding shortfall and enable the Department to offset capital improvement and

training costs, deliver more efficient customer service and establish a more sustainable business model.

#### Summary of Ordinance Provisions

The draft ordinance amends Port of Los Angeles Tariff No. 4, Section Three, Item No. 330 (b), (d), (e), (f) and (g), increasing the rates charged for pilotage. Effective January 1, 2017, the GRT charge would increase from \$0.0060 to \$0.0063, the Surcharge per Move would increase from \$100 to \$105, and the LOA rate would increase by approximately twenty-five percent (25%). Other fees related to pilotage would also increase by twenty-five percent (25%) to include: the pilot cancellation fee; pilot stand-by fee; assistance charge for a second pilot; and the minimum charge pilotage fee.

#### CEQA Findings

The draft ordinance approves an order modifying the Port of Los Angeles Tariff No. 4 to increase rates and fees charged for pilotage, which is an activity involving the modification of a fee charged for the use of an existing municipal service involving negligible or no expansion of use. As such, the Director of Environmental Management has determined that the proposed activity is 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 December 15, 2016.

#### Fee Notice Requirement

The enclosed final draft ordinance contains an increase in rates and fees charged for pilotage. Authority to charge and enforce such a fee is given to the Board of Harbor Commissioners under Los Angeles City Charter Sections 652(e) and 653(a). Pursuant to Charter Section 653(a), the City Council must approve by ordinance the Board of Harbor Commissioners' Order setting these fees, which fees go to the Harbor Revenue Fund. The Board of Harbor Commissioners held a noticed public board meeting on December 15, 2016, during which the fee was presented and discussed by the Board and the public prior to adoption of BOHC Orders adopting said fee. The requirements of Government Code Sections 66016 and 66018 requiring City Council public fee hearings are not applicable to this type of fee.

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If you have any questions regarding this matter, please contact Deputy City Attorney John Driscoll at (310) 732-3750. He or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 

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DMM:JD:pj  
Transmittal