



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 16, 2021

FROM: DEBT & TREASURY MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ REQUEST FOR FISCAL
YEAR 2021/22 BUDGETARY TRANSFER TO COVER EXPECTED
ELECTRIC SERVICES BUDGET SHORTFALL**

SUMMARY:

Staff requests approval of a budgetary transfer of \$6,156,667 from the Unappropriated Balance (UB) to meet a projected shortfall in the Fiscal Year (FY) 2021/22 Adopted Budget for Operating Expenses. The projected shortfall is within the Electric Services Budget of the Other Operating Expenses category. Higher than expected electricity expenses are being driven by the higher than anticipated number of container vessels calling at the Port of Los Angeles (Port). While the Harbor Department (Department) is financially responsible for paying Alternative Maritime Power® (AMP®) expenses incurred by its customers, historically 95% - 99% of AMP® expenses are reimbursed.

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 transfer of \$6,156,667 from the Unappropriated Balance to Electric Services within Other Operating Expenses (Program 000, Center 0900, Account 59510);
3. Direct the Board Secretary to transmit the Resolution to the Mayor for approval per Section 343(b) of the City Charter;
4. Direct the Board Secretary to notify the City Clerk of this transfer per Section 343(d) of the City Charter at the time such transfer is made; and
5. Adopt Resolution No. _____.

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DISCUSSION:

Background and Context – AMP® is an air quality program that focuses on reducing emissions from container vessels docked at the Port. Instead of running on fossil fuels such as diesel while at berth, AMP®-equipped ships plug-in to shore side electrical power and it becomes an alternative power source for oceangoing vessels. AMP® is also referred to as shore power, shore connection, shore-to-ship power, cold ironing, or High Voltage Shore Connection (HVSC) Systems.

About 75 percent of the electric services budget is for the AMP® program, while the remaining 25 percent is to power Port facilities. The demand for AMP® was unusually high in FY 2020/21 due to the surge in shipping activity resulting from the pent-up demand for consumer goods during the pandemic. Due to the continued queue of vessels awaiting connection to shore-side electric power via AMP®, the Port continues to experience higher than planned electricity expenses relative to budget in the current fiscal year.

Beginning January 1, 2014, the California Air Resources Board (CARB) mandated that container, refrigerated cargo, and cruise ships that regularly call at California's major ports to use AMP®. Oceangoing vessels relying on shore power are required to shut down their auxiliary engines at-berth for 50% of the fleet's vessel visits as well as commensurately reduce their onboard auxiliary engine power generation by 50%. These percentages were raised to 70% in 2017 and subsequently 80% in 2020.

Currently at the Port, ships equipped to connect to AMP™ can do so at all container terminals and the Port's World Cruise Center. The Port currently has 24 berths that are AMP® capable with a total of 69 connection points to service ships while berthing at the Port. A physical connection between the oceangoing vessel and the AMP® source is required for the transmission of electricity. Los Angeles Department of Water and Power (LADWP) considers this arrangement a customer-owned generator connection and mandates the customer to enter into an AMP® Electric Service Agreement. The LADWP issues shore power invoices for electrical power consumption and sends them to the Department. The Department pays these invoices and then bills the tenant for the relevant reimbursement amount.

At the cruise terminal, however, the Harbor Department through an operating agreement with Ports America acts as the cruise terminal operator. Cruise terminal shore power electrical power consumption invoices are rebilled directly to the cruise lines by the Harbor Department based on each cruise vessel's electrical power consumption, along with the AMP® System Cost passenger fee of \$0.30 upon embarkation and disembarkation which in totality seeks cost neutrality for AMP® usage. In addition, at the China Shipping terminal oceangoing vessels docked at this facility enjoy cost neutral language in its lease with the Port and are billed based on hours of kilowatts used. So historically approximately

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95% - 99% of AMP® expenses paid by the Department on behalf of tenants that use AMP® are reimbursed and classified as Operating Revenues.

For the most recent completed FY 2020/21, the Department received approximately \$18.2 million in AMP® reimbursements from tenants while paying LADWP \$18.6 million for such charges.

For FY 2021/22 the Department budgeted \$17,794,266 for electricity expenses with an allocation of \$13,665,151 for the AMP® program. Electricity expenses for the first three months of the fiscal year totaled \$8,717,365, or 49% of the annual budget. If the current level of congestion at the Port continues, the Department expects Electricity expenses to total approximately \$28,950,933, with \$22,057,663 for AMP®. The \$28,950,933 fiscal year estimate is based on an average of \$2,826,895 for the first three months of the current fiscal year, an average of \$2,790,342 for the next three months and an average of \$2,016,537 to round out the final six months of the fiscal year. The requested transfer of \$6,156,667 from the UB amounts to half the shortfall currently projected in the Electricity Services budget. The Department will continue to monitor the situation into calendar year 2022 and should additional funds be required, the Department will request additional funding next calendar year. If this transfer request is approved, the FY 2021/22 Electric Services budget will increase from \$17,794,266 to \$23,950,933 and the Operating Expense Budget will increase from \$300,071,525 to \$306,228,192.

ENVIRONMENTAL ASSESSMENT:

The proposed action to transfer funds from the UB to Electric Services within the Other Operating Expenses category to meet a projected budgetary shortfall 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.

FINANCIAL IMPACT:

Sufficient UB funds are available for this requested UB transfer. The UB transfer to Electric Services within Other Operating Expenses (Program 000, Center 0900, Account 59510) will increase the Operating Expense Budget by \$6,156,667 to \$306,228,192 while AMP® reimbursements from tenants are estimated to increase the FY 2021/22 Operating Revenue budget by approximately \$6,033,534 to \$539,303,735.

CITY ATTORNEY:

The Office of the City Attorney has reviewed this report and has determined that the proposed action does not raise any legal issues at this time.

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FIS Approval: MB

CA Approval: JC

Soheila Sajadian Digitally signed by
Soheila Sajadian
Date: 2021.11.22
13:08:29 -08'00'
SOHEILA SAJADIAN
Director, Debt & Treasury Division



MARLA BLEAVINS
Deputy Executive Director &
Chief Financial Officer

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director

Author: D. Chin