



THE PORT
OF LOS ANGELES
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JANUARY 28, 2015

FROM: CONSTRUCTION AND MAINTENANCE

**SUBJECT: RESOLUTION NO. _____ - PROPOSED SALE OF MARINE
VESSEL *ANGELENA II***

SUMMARY:

In September 1988, the City of Los Angeles Harbor Department (Harbor Department) purchased the diesel engine marine vessel *Angelena II* for \$454,748. The vessel has primarily been used as a tour boat to educate visitors and guests of the Port of Los Angeles, including foreign trade delegations, students from Southern California schools and colleges, and local, state, and federal officials with oversight of the Port of Los Angeles and surrounding jurisdictions. In 2010, new California Air Resources Board environmental regulations meant that the diesel engines on the *Angelena II* needed a complete overhaul or replacement. The Harbor Department decided to comply by utilizing a United States Department of Energy grant to purchase a hybrid-electric propulsion system. From 2010 through 2014, Harbor Department staff and vendors worked to implement the never before used propulsion system. Ultimately, the Harbor Department determined that it was not reliable and the Executive Director has recommended the sale of the vessel. It is requested that the Board of Harbor Commissioners (Board) approve the sale of the *Angelena II* through the City of Los Angeles salvage process.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find and determine that the marine vessel *Angelena II*, United States Coast Guard Documentation No. 537159, is no longer required for use by the Harbor Department;
2. Find and determine that a public sale of the marine vessel is in the best interest of the Harbor Department;
3. Authorize the Executive Director or his designee to effectuate the sale of the marine vessel *Angelena II* pursuant to the Los Angeles Administrative Code Sections 7.70 and 7.71; and
4. Adopt Resolution No. _____

DATE: JANUARY 28, 2015

PAGE 2 OF 4

SUBJECT: SALE OF MARINE VESSEL *ANGELENA II*

DISCUSSION:

Background/Context – In March 2010, the Board approved a purchase order contract to purchase an ultra-low emission, hybrid-electric propulsion system, including all related components, from Energytech Marine Group in order to address stronger environmental regulations regarding the *Angelena II*'s two 1970's era Detroit Diesel inboard engines. The purchase was fully reimbursed by the United States Department of Energy (USDOE) Energy Efficiency and Conservation Block Grant (EECBG) funds authorized for the Harbor Department through the American Recovery and Reinvestment Act (ARRA) of 2009. That grant also included funding for zero-emission trucks and hydrogen fuel cell truck upgrades.

The complex, new technology used for the *Angelena II* propulsion system required major time and cost commitments from the Harbor Department. Excluding the \$571,682 that was reimbursed from the USDOE, a total of \$3.48 million in Harbor Department funds were spent to reconfigure and upgrade the boat to meet the new equipment requirements, including \$3.01 million in labor costs and \$469,000 in materials and contractual costs. The total project cost was \$4.05 million.

Staff worked diligently for more than three years to make the new technology work, but were unable to meet the United States Coast Guard (USCG) requirements needed to obtain a Certificate of Inspection (COI) and return the boat to regular service. Problems included, but were not limited to, an automatic diesel-electric charging system and the direct thermal monitoring of battery cells.

In October 2014, the Executive Director halted the project due to ongoing reliability issues of the hybrid system and potential difficulties in obtaining a COI. After discussions with Construction and Maintenance, Financial Management, Contracts and Purchasing and other Port staff, a decision was made to seek approval to sell the boat and continue leasing private boats as needed for Port tours.

Pursuant to Sections 7.70 and 7.71(a) of the Los Angeles Administrative Code (LAAC), any personal property belonging to the City that is no longer required for use may be sold at the request of or with the approval of the Board. In addition, the Board must also determine the most appropriate manner of sale of the property. Section 7.71(b) of LAAC provides that the sale may be either a public or private sale.

Public sales are facilitated by the City of Los Angeles Department of General Services (GSD) pursuant to Section 7.70(a) of the LAAC. GSD has a contract with Ken Porter Auctions which holds public auctions to sell City property. Through this contract, Ken Porter Auctions will appraise, advertise, and hold a public auction to sell the *Angelena II*. Pursuant to the contract, Ken Porter Auctions will retain eight percent of the final sale

DATE: JANUARY 28, 2015

PAGE 3 OF 4

SUBJECT: SALE OF MARINE VESSEL *ANGELENA II*

price. In the event the *Angelena II* does not sell for at or above the appraisal value, the Harbor Department retains the right to sell the *Angelena II* to the highest bidder or forgo selling the vessel and pursue other options.

A private sale of the vessel would involve a negotiation between the Harbor Department and one (or more) parties and require a justification approved by the Board to limit the sale to that party or parties.

If the Harbor Department conducted the sale of the vessel, staff would have to prepare two Requests for Proposals, one to select a boat appraiser to determine the value of the boat and another to select a boat broker to sell the vessel. Once an appraiser and broker were selected and contracts executed, the Harbor Department would incur costs for services rendered.

However, if the vessel were sold publicly through GSD, no RFPs or resulting contracts would be needed, thus saving both staff time and Harbor Department funds. As such, to most efficiently utilize human and financial resources, staff recommends a public sale of the *Angelena II* to the highest bidder through the City of Los Angeles salvage process.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to sell the *Angelena II* marine vessel through a public sale. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC IMPACT:

This Board action will have no employment impact.

FINANCIAL IMPACT:

The vessel *Angelena II* was purchased by the Harbor Department in 1988 for \$454,748 from a private party and was subsequently utilized by the Harbor Department for 22 years as a tour boat. In 2010, the *Angelena II* was removed from service for a repower project due to environmental regulations. In October 2014, that project was stopped after total project expenditures of approximately \$4.05 million, including grant funds and Harbor Department funds. Including the purchase price and the cost of all major upgrades to the boat, the subject property has an accumulated depreciation amount of \$1,569,378 recorded on the Harbor Department's property ledger, resulting in a net book value of \$1,195,882 as of December 2014.

DATE: JANUARY 28, 2015

PAGE 4 OF 4

SUBJECT: SALE OF MARINE VESSEL ANGELENA II

The estimated market value of the *Angelena II* will not be known until formally appraised by Ken Porter Auctions. The sale of the vessel for any amount below the net book value will result in a net loss on sale of fixed assets. If it is a net loss, this will be reflected on the current fiscal year's Statement of Revenues, Expenses, and Changes in Net Position as a non-operating item, and will reduce the Harbor Department's net position by that amount. It should be noted that a federal grant in the amount of \$571,682 that was used to purchase equipment for the repower project will not have to be reimbursed according to the USDOE.

CITY ATTORNEY:

The City Attorney's Office has reviewed this Board Report and found that it raises no legal issues at this time.

FIS Approval: MB (initials)

CA Approval: CPB (initials)



TIM CLARK
Acting Director of Port Construction
and Maintenance


for ANTONIO V. GIOIELLO
Deputy Executive Director, Development

APPROVED:



EUGENE D. SEROKA
Executive Director

Author: D. Young