



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: OCTOBER 12, 2011

FROM: BUSINESS & TRADE DEVELOPMENT

SUBJECT: RESOLUTION NO. _____ APPROVAL OF FIRST AMENDMENT FOR FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 08-2722 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND EAGLE GLOBAL LOGISTICS, SITE 9C

SUMMARY:

In February 2009, the City of Los Angeles Harbor Department (Harbor Department) entered into Agreement No. 08-2722 with Eagle Global Logistics (Eagle) to oversee Foreign-Trade Zone (FTZ) 202, Site 9C. Eagle has officially changed their name to CEVA Freight LLC (CEVA). Any change made to an original operating agreement between the Harbor Department and operators requires an amendment to the agreement. The proposed First Amendment (Amendment) will approve the name change. The term of the agreement is five years with three, five-year renewal options. Except as amended, all remaining terms and conditions of Agreement No.08-2722 shall remain in full force and effect.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the proposed First Amendment to Agreement No. 08-2722 between the City of Los Angeles and Eagle Global Logistics;
2. Direct the Board Secretary to transmit the proposed First Amendment to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed First Amendment to FTZ Operating Agreement No. 08-2722; and
4. Adopt Resolution No. _____.

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SUBJECT: FIRST AMENDMENT TO FTZ GENERAL PURPOSE OPERATING AGREEMENT BETWEEN HARBOR DEPARTMENT AND EAGLE SITE 9C

DISCUSSION:

Background – The Foreign-Trade Zone Act of 1934, as amended (19 U.S.C. 81a-81u) was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of an FTZ is a restricted access site located in the U.S. Customs and Border Protection Agency (U.S. Customs) territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce for consumption.

On July 14, 2011, the Board approved an application to the FTZ Board to change FTZ management frame work from a Traditional Site Framework (TSF) to an Alternative Site Framework (ASF). The ASF is for grantees that choose to participate for designation and managing general purpose FTZ sites in an efficient manner. All of our current and future FTZ general purpose operators will benefit under the ASF's new streamlined process with quicker approval periods and simplified application requirements.

Need for Agreement – Site Operator formerly known as Eagle, has changed their name to CEVA Freight LLC. This company name change requires an amendment to FTZ Operating Agreement No. 08-2722 (*See Transmittal 1*).

Need for Approval – CEVA is requesting approval to amend FTZ Operating Agreement No 08-2722 for the company name change. This is an administrative requirement for the Harbor Department.

As noted above under Background, this site (*See Transmittal 2*) will be included in the forthcoming ASF application to ensure continuation of FTZ operations. We are planning to submit the application to the FTZ Board by the end of October 2011.

Harbor Department Fiscal Requirements – This proposed Amendment will not require funding by the Harbor Department. Eagle will pay an annual fee of \$5,000 to the Harbor Department for each year of the five-year term of the Agreement for a total of \$25,000.

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SUBJECT: FIRST AMENDMENT TO FTZ GENERAL PURPOSE OPERATING AGREEMENT BETWEEN HARBOR DEPARTMENT AND EAGLE SITE 9C

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the First Amendment to Agreement No. 08-2722 with Eagle for approval of a name change from Eagle Global Logistics to CEVA Freight LLC. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from CEQA in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines

ECONOMIC BENEFITS:

This Board action will have no employment impact in the five-county region.

FINANCIAL IMPACT:

No Harbor Department funds are required for this proposed Board action seeking approval of the First Amendment authorizing the FTZ operator's name change. No other aspects of the FTZ operator's existing agreement with the Harbor Department will change and the operator will continue to pay the Harbor Department the annual fee of \$5,000 through the term of the existing agreement.

Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ related expenses. During calendar year 2010, approximately \$80,000 was spent on outside FTZ related consulting services while \$110,000 in revenues was collected from all of the Harbor Department's FTZ operations.

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SUBJECT: FIRST AMENDMENT TO FTZ GENERAL PURPOSE OPERATING AGREEMENT BETWEEN HARBOR DEPARTMENT AND EAGLE SITE 9C

CITY ATTORNEY:

The City Attorney's Office has prepared and approved the First Amendment as to form and legality.

TRANSMITTALS:

1. Proposed First Amendment of FTZ Operating Agreement 08-2722 Eagle, FTZ 202, Site 9C
2. CEVA, FTZ 202, Site 9C site map

FIS Approval: ef (initials)

CA Approval: ef (initials)



KRAIG JONDLE
Director of Business & Trade Development

FOR 
KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto