

**DATE: MAY 25, 2021**

**FROM: PORT PILOTS**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE SECOND TEMPORARY ORDER AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE, ITEM NO. 330 – “CHARGES FOR PILOTAGE”**

**SUMMARY:**

Staff requests approval of a second temporary order to temporarily amend the current Port of Los Angeles Tariff No. 4 (Tariff), Section Three, Item No. 330 – Charges for Pilotage. The City of Los Angeles Harbor Department (Harbor Department) provides the piloting service that is required by all vessels, 300 gross tons and over, calling at the Port of Los Angeles. Each vessel is subject to a tariff that is assessed on a vessel's gross registered tons (GRT) and the length over all (LOA), plus a general assessment for capital improvements, maintenance and training (Surcharge per Move).

The proposed amendment would: (i) incorporate a five-step increase, affecting all fee schedules related to pilotage; (ii) increase the 2<sup>nd</sup> pilot fee from 50% to 100%; and (iii) include a draft surcharge (Draft Surcharge) assessed to each vessel requiring pilotage at an initial level of \$6.00 per foot. Effective April 1, 2021, the GRT would increase to \$0.00665, the fee attributable to LOA would initially increase by 5.6 percent, and the Surcharge per Move would increase to \$110.88. Effective, January 1, 2022, the Draft Surcharge would increase to \$12.00 per foot, and all other fee schedules related to pilotage would again increase 5.6 percent. Effective, January 1, 2023, and each January 1, thereafter, all fees schedules related to pilotage would increase by 5.6 percent. During calendar year 2025, the Harbor Department will re-evaluate whether any additional fee increases would be necessary over the subsequent five-year period.

At the March 18, 2021, Board meeting, the Board approved a Temporary and Permanent Order amending Port of Los Angeles Tariff No. 4, Item No. 330 – Charges for Pilotage. Changes in the Tariff require City Council approval. The City Council has not calendared and approved the Permanent Order and Ordinance. Therefore, a second Temporary Order is proposed to allow additional time for the Permanent Order to pass through the City Council approval process. This second Temporary Order, if approved, will expire in 90 days after the day it is published or upon execution of the Permanent Order by the City Council, whichever occurs first.

SUBJECT: SECOND TEMPORARY ORDER TO AMEND TARIFF NO. 4 –  
“CHARGES FOR PILOTAGE”

**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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines;
2. Approve the Amendment to the Port of Los Angeles Tariff No. 4, to revise Section Three Pilotage, Item Nos. 330 (b), (d), (e), (f), and (g), and add Item No. 330 (h) for draft surcharge, subject to the California Association of Port Authorities’ review and approval, and authorize the Executive Director to work with the California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with the California Association of Port Authorities procedure;
3. Adopt Temporary Order No. \_\_\_\_\_ - to amend Section Three Pilotage. Item Nos. 330 (b), (d), (e), (f), (g), and add Item No. 330 (h) to include a draft surcharge in the Port of Los Angeles Tariff No. 4;
4. Authorize the Board Secretary to certify to the adoption of the Temporary Order by the Board of Harbor Commissioners and cause the same to be published once in a newspaper printed and published in the City of Los Angeles, to take effect prior to adoption by Ordinance for a period not-to-exceed 90 days pursuant to City Charter Section 653(b); and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

**Background/Context**

The City of Los Angeles, acting by and through the governing body of the Board of Harbor Commissioners, maintains a team of federally licensed port pilots ready to provide piloting services for all vessels 300 gross tons and over entering, departing, or shifting within the Port. All vessels requiring a pilot are subject to the Tariff.

Currently, the three basic components in determining the Tariff for pilotage include the sum of GRT, LOA and a Surcharge per Move. Additional fees may include assistance for a second pilot, pilot standby fee, minimum-charge pilotage fee, or pilot-cancellation fee.

**SUBJECT: SECOND TEMPORARY ORDER TO AMEND TARIFF NO. 4 –  
“CHARGES FOR PILOTAGE”**

Previous Board Action

On July 1, 2016, pursuant to Board Resolution No. 16-7202, the Tariff was amended to increase the LOA by 10 percent, increase the GRT from \$0.00334 to \$0.0060, and increase the Surcharge per Move from \$52.00 to \$100.00. All other fees related to pilotage increased approximately 10 percent. Board Resolution No. 16-7202 also approved the expansion of the LOA fee to include any vessel 394 meters and over.

On January 1, 2017, pursuant to Board Resolution No. 16-7214, the Tariff was amended to increase the LOA by 25 percent, increase the GRT from \$0.0060 to \$0.0063, and increase the Surcharge per Move from \$100.00 to \$105.00.

On October 1, 2017, pursuant to Board Resolution No. 17-7222, the Tariff was amended to increase the LOA and all other fee schedules related to pilotage by approximately 14 percent. The GRT remained at \$0.0063 and the Surcharge per Move remained at \$105.00.

Since 2017, there has been no increase to the pilotage Tariff or related charges.

Currently, the projected cost of the pilot service for Fiscal Year (FY) 2021 is \$16,102,683 which includes estimated capital expenses of approximately \$2.54 million to complete the construction of two new pilot boats. Under the existing pilotage tariff regime, the projected revenue collected by the pilot service is expected to be \$10,114,140, which is expected to result in a deficit of \$5,988,543.

Amendment to Tariff No. 4

The Harbor Department proposes amendments to Port Tariff No. 4 Item Nos. (b), (d), (e), (f), (g), and add Item No. 330 (h) for, draft surcharge “Charges for Pilotage” (Transmittal 1).

Modify: (f): Modify language “a charge of one-half (1/2)” to “an additional charge equal to 100% of the total of the first pilot fee”.

Addition: “(h): Effective April 1, 2021, a draft surcharge of \$6.00 per foot of draft will be assessed to each vessel.”

Effective April 1, 2021, The GRT would increase to \$0.00665; the LOA fee schedule would increase approximately 5.6 percent; a Draft Surcharge of \$6.00 per foot would be included; and the Surcharge per Move would increase to \$110.88.

Effective January 1, 2022, The Draft Surcharge would increase to \$12.00 per foot, and all other fee schedules related to pilotage would again increase 5.6 percent.

**SUBJECT: SECOND TEMPORARY ORDER TO AMEND TARIFF NO. 4 –  
“CHARGES FOR PILOTAGE”**

Effective, January 1, 2023 and each January 1 thereafter, all fees schedules related to pilotage would increase by 5.6 percent. During calendar year 2025, the Harbor will re-evaluate whether any additional fee increases would be necessary over the subsequent five-year period.

**Proposed Charges for Pilotage – 10K TEU Vessel with 13.1M (43 ft.) Draft**

(rounded to nearest \$)	Existing	April 2021	Jan. 2022	Jan. 2023	Jan. 2024	Jan. 2025
<b>GRT</b>	\$ 721	\$ 761	\$ 804	\$ 849	\$ 896	\$ 946
<b>LOA</b>	\$ 3,505	\$ 3,701	\$ 3,908	\$ 4,127	\$ 4,358	\$ 4,603
<b>Surcharge/move</b>	\$ 105	\$ 111	\$ 117	\$ 124	\$ 131	\$ 138
<b>Draft</b>	\$ -	\$ 258	\$ 516	\$ 545	\$ 575	\$ 608
<b>Total</b>	<b>\$ 4,331</b>	<b>\$ 4,831</b>	<b>\$ 5,345</b>	<b>\$ 5,645</b>	<b>\$ 5,960</b>	<b>\$ 6,295</b>

The proposed Tariff amendment is anticipated to increase revenues to a level that would fully fund employee salaries, training costs, maintenance expenditures and other operating costs as well as begin to offset capital costs including \$6,728,923 for two new pilot boats.

Despite the proposed increases, the pilotage rates for the Los Angeles Pilot Service will remain among the lowest on the west coast of the United States. By FY 2025, with a projected total revenue \$15,452,571 and projected total operating costs of \$14,745,157, the pilot service is anticipated to show a positive cash flow of \$707,414.

Changes to Tariff No. 4 (Transmittal 2) require the approvals of the Board and City Council. At the March 18, 2021, Board meeting, the Board approved a Temporary and Permanent Order amending Port of Los Angeles Tariff No. 4, Item No. 330 – Charges for Pilotage. The City Council has not calendared and approved the Permanent Order and Ordinance. Therefore, a second Temporary Order is proposed to allow additional time for the Permanent Order to pass through the City Council approval process. This second Temporary Order, if approved, will expire 90 days after the day it is published or upon execution of the Permanent Order by the City Council, whichever occurs first. The proposed second Temporary Order (Transmittal 3) is required to keep the proposed tariff rules and regulations in place until the Permanent Order and Ordinance are approved by the City Council.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a Temporary Order to amend Port Tariff No. 4, Section Three, Item No. 330, to increase Pilotage Fees, which is an activity modifying a rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

SUBJECT: SECOND TEMPORARY ORDER TO AMEND TARIFF NO. 4 –  
“CHARGES FOR PILOTAGE”

**FINANCIAL IMPACT:**

Approval of the proposed amendment to the Tariff would increase the GRT, LOA, Surcharge per Move and 2<sup>nd</sup> Pilot Fee components of pilotage revenue. In addition, a draft charge per foot will also be added to the Tariff.

Assuming that the proposed increases are made effective April 1, 2021, and that the Pilot Service achieves a minimum of 3,300 moves, FY 2021 pilotage revenues would increase by \$356,037 relative to the pilotage revenues which would have otherwise been earned under the existing Tariff over the remaining three months of the fiscal year.

The proposed Draft Surcharge increase to \$12 per foot on January 1, 2022 and increases of 5.6 percent applied to the GRT, LOA and Surcharge per Move components of pilotage revenues beginning January 1, 2022, as well as subsequent 5.6 percent increases applied each January 1 thereafter, are expected to generate incremental pilotage revenues of approximately \$2.9 million per year, on average, assuming a minimum of 3,400 moves per year are achieved through June 2025.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the proposed Orders and Ordinance as to form and legality.

**TRANSMITTALS:**

1. Pilotage Rate Table
2. Tariff No. 4
3. Second Temporary Order



JOHN L. DWYER  
Chief Port Pilot



THOMAS E. GAZSI  
Chief of Public Safety  
and Emergency Management

FIS Approval: MB  
CA Approval: JS

APPROVED:

*Marla Bleavins* For

EUGENE D. SEROKA  
Executive Director