



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

Board of Harbor Commissioners

DATE: JANUARY 27, 2016

FROM: CONTRACTS AND PURCHASING

**SUBJECT: RESOLUTION NO. _____ - PROPOSED SALE OF SHIP TO SHORE
CRANES 209-11, 209-12, 209-13, 209-18, AND 209-19 AND ALL CRANE
SPARE PARTS**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) Contracts and Purchasing Division (CPD) is requesting that the Board of Harbor Commissioners approve the sale of ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 as well as the spare parts for those cranes as part of the City of Los Angeles salvage process through a public auction. These cranes have not been used for at least the last six years and are no longer necessary for current loading and unloading operations. The Executive Director recommends the sale of the cranes and their spare parts.

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 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;
2. Find and determine that ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 and all crane spare parts are no longer necessary or suitable for use by the Harbor Department;
3. Find and determine that a public auction of ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 and all crane spare parts is in the best interest of the Harbor Department because it is most likely to result in multiple competitive bids;
4. Authorize the Executive Director or his designee to effectuate the public sale of ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 and all crane spare parts pursuant to the Los Angeles Administrative Code Sections 7.70 and 7.71; and
5. Adopt Resolution No. _____

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DISCUSSION:

Background/Context – When containerization was introduced to the Port of Los Angeles in the early 1970's the containers were loaded and unloaded by ship-supplied cranes to the wharf. This practice was replaced with ship to shore container cranes which were placed on the wharf to load and unload containers on and off the ships (Transmittal 1). The original business model of the 1970's and 1980's was for the Harbor Department to provide the cranes for this unloading activity. In the late 1980's, the business model changed and the tenants started providing their own cranes for loading and unloading ships, removing the Harbor Department from the ship to shore container crane business. The last five ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 are no longer necessary for current loading and unloading operations and are taking up needed space at two terminals. These cranes were last used to offload cargo as follows:

Crane No.	Last Used
209-11	Prior to 2005
209-12	September 2009
209-13	September 2009
209-18	July 2008
209-19	July 2008

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 or Purchasing Agent. In addition, the Board or Purchasing Agent 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.

A private sale negotiated with a single or multiple parties could result in a lower sales price for the cranes by excluding all other potential buyers that are not currently known to the Harbor Department. A public sale or auction would be an open process for any interested party and the Harbor Department would be able to select the highest bidder from potentially several bids.

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. The Harbor Department regularly utilizes this method to sell boats, cars and other City property. Through this contract, Ken Porter Auctions would appraise, advertise, and hold a public auction to sell ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 and all crane spare parts. The selected high bidder pays for the cranes and spare parts with a check and GSD transfers the funds to the Harbor Department.

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Staff would work with Ken Porter Auctions to determine the most beneficial grouping of cranes and spare parts for auction. One possible grouping could include Lot 1: cranes 209-11, 209-12, and 209-13; Lot 2: cranes 209-18 and 209-19; and Lot 3: all crane spare parts. An alternate grouping could include Lot 1: cranes 209-11, 209-12, 209-13, 209-18, 209-19 and Lot 2: crane spare parts.

Pursuant to the contract, Ken Porter Auctions would retain eight percent of the final sale price. In the event the ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 do not sell for at or above the appraisal or reserve value, the Harbor Department retains the right to sell the ship to shore cranes to the highest bidder or forego selling the cranes and pursue other options.

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

However, if the cranes, spare parts (including spare spreader bars) 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 ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 and all crane spare parts to the highest bidder through the City of Los Angeles public auction process through GSD.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to sell five ship to shore cranes and spare parts, which is an administrative activity. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 were purchased in the early 1980's for a total amount of approximately \$14,300,000. With improvements to the cranes and depreciation factored in, these cranes and all crane spare parts have a current net book value of approximately \$1,509,000 (Transmittal 2).

The estimated market value of ship to shore cranes 209-11, 209-12, 209-13, 209-18, and 209-19 and all crane spare parts will not be known until formally appraised by Ken Porter Auctions. The sale of the cranes and spare parts will be reflected on the current fiscal year's Statement of Revenues, Expenses, and Changes in Net Position as a non-

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operating item. If it is a net loss, it will reduce the Harbor Department's net position by that amount. The Harbor Department will be financially responsible for an auction fee of eight percent of the final sale price.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Picture of Ship to Shore Cranes 209-18 and 209-19
2. Book Value of Ship to Shore Cranes to be sold

FIS Approval: MB (initials)

CA Approval: JS (initials)



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