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Title: AMENDMENT OF SAN DIEGO UNIFIED PORT DISTRICT TARIFF NO. 1-G, RATES AND CHARGES, AND UPDATED FORMAT AND LANGUAGE

A) RESOLUTION FINDING THE AMENDMENT TO THE SAN DIEGO UNIFIED PORT DISTRICT TARIFF NO. 1-G, RATES AND CHARGES, TO INCREASE RATES, ADD NEW RATES, AND UPDATE TARIFF FORMAT AND LANGUAGE EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) AS SPECIFIED UNDER SECTION 15273 OF THE CEQA GUIDELINES

B) CONDUCT A PUBLIC HEARING AND ADOPT AN ORDINANCE AMENDING THE SAN DIEGO UNIFIED PORT DISTRICT TARIFF NO. 1-G, RATES AND CHARGES, ADD NEW RATES, AND UPDATE TARIFF FORMAT AND LANGUAGE

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Attachments: 1. 25. 2018-0129 Attachment A-KK, 2. 25. 2018-0129A Draft Resolution, 3. 25. 2018-0129B Draft Ordinance

Date	Ver.	Action By	Action	Result
5/8/2018	1	Board of Port Commissioners	adopted	Pass
5/8/2018	1	Board of Port Commissioners	adopted	Pass

DATE: May 8, 2018

SUBJECT:

AMENDMENT OF SAN DIEGO UNIFIED PORT DISTRICT TARIFF NO. 1-G, RATES AND CHARGES, AND UPDATED FORMAT AND LANGUAGE

A) RESOLUTION FINDING THE AMENDMENT TO THE SAN DIEGO UNIFIED PORT DISTRICT TARIFF NO. 1-G, RATES AND CHARGES, TO INCREASE RATES, ADD NEW RATES, AND UPDATE TARIFF FORMAT AND LANGUAGE EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) AS SPECIFIED UNDER SECTION 15273 OF THE CEQA GUIDELINES

B) CONDUCT A PUBLIC HEARING AND ADOPT AN ORDINANCE AMENDING THE SAN DIEGO UNIFIED PORT DISTRICT TARIFF NO. 1-G, RATES AND CHARGES, ADD NEW RATES, AND UPDATE TARIFF FORMAT AND LANGUAGE

EXECUTIVE SUMMARY:

District staff conducts an annual review of the San Diego Unified Port District, (Port) Tariff No 1-G

(Tariff), which governs the rates, charges, rules, and regulations applicable for all maritime-related commercial activity within the Port's jurisdiction.

Staff recommends that the Board adopt an amendment to the Port's Tariff, as follows:

1. Implement a two and eight-tenths percent (2.8%) General Rate Increase (GRI) in General items, Dockage items, Wharfage items, Cruise Ship Passenger Fees, Demurrage, Storage, Space Occupancy items, and Miscellaneous items, with the exception of Commercial Fishing Vessels, effective July 1, 2018.
2. Implement a one and nine-tenths percent (1.9%) Annual Rate Increase (ARI) in Cruise Ship Passenger Fees-Item No. 0647, effective July 1, 2019; July 1, 2020; and July 1, 2021.
3. Perform an amendment of Tariff language for Item No. 0360-Weight on Wharves and add a new commodity to Item No. 0631-Project Cargo Rates for Ultra-Heavy Lift Project Cargo.
4. Perform an amendment of Tariff language and other minor language modifications, effective July 1, 2018.

There are several factors that are considered during staff's Tariff analysis, including relevant economic indicators such as the Consumer Price Index for the West Region, All Urban Consumers (CPI-U), rate recommendations made by California Association of Port Authorities' (CAPA) member ports, actual rate increases by other CAPA ports, and regional market conditions.

This year, several CAPA ports will be instituting a GRI, including the Ports of Hueneme, Oakland, and Richmond. The proposed increases for Cruise Ship Passenger Fees are based on a comparative analysis of competitor ports, as well as discussions with cruise lines. The proposed new rate for Ultra-Heavy Lift Project Cargo is based on a comparison of Southern California and Gulf Port prevailing rates. Various amended language changes serve to clarify specific billing rates and narrative language in the Tariff.

In addition, pursuant to current Tariff language, annual Pilotage Rates and Charges are pegged to the Producer Price Index (PPI) for the period ending December 2017 as published by the Bureau of Labor Statistics, and will increase by one and one-tenth percent (1.1%) effective August 1, 2018. Pilotage rates are a pass-through charge that is paid directly by customers to the San Diego Bay Pilots Association and do not have direct financial impact to the District.

Implementation of the rate increase is projected to result in increased revenues to the District by approximately \$480,000 annually and is intended to meet financial reserve needs and requirements of the District.

RECOMMENDATION:

- A) Adopt a resolution finding the amendment to the San Diego Unified Port District Tariff No. 1-G, Rates and Charges, to increase rates, add new rates and update Tariff format, and language exempt from the California Environmental Quality Act as specified under Section 15273 of the CEQA Guidelines.
- B) Conduct a public hearing and adopt an ordinance amending the San Diego Unified Port District Tariff No. 1-G, to increase rates and charges, add new rates and update language as follows:

1. Implement a two and eight-tenths percent (2.8%) General Rate Increase (GRI) in General items, Dockage items, Wharfage items, Cruise Ship Passenger Fees, Demurrage, Storage, Space Occupancy items, and Miscellaneous items, with the exception of Commercial Fishing Vessels, effective July 1, 2018.
2. Implement a one and nine-tenths percent (1.9%) Annual Rate Increase (ARI) in Cruise Ship Passenger Fees-Item No. 0647, effective July 1, 2019; July 1, 2020; and July 1, 2021.
3. Perform an amendment of Tariff language for Item No. 0360-Weight on Wharves and add a new commodity to Item No. 0631-Project Cargo Rates for Ultra-Heavy Lift Project Cargo.
4. Perform an amendment of Tariff language and other minor language modifications, effective July 1, 2018

FISCAL IMPACT:

Based on Fiscal Year 2018-2019 cargo forecasts, the proposed rate increases would result in increased revenues to the District by approximately \$480,000 annually.

COMPASS STRATEGIC GOALS:

Implementation of the Tariff rate increases will result in increased revenue for the Port of San Diego, while maintaining competitively priced services.

- A thriving and modern maritime seaport.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

The San Diego Unified Port District, (Port) Tariff No. 1-G (Tariff) governs the rates and charges applicable for all maritime-related commercial activity under the Port's jurisdiction. The Tariff is reviewed annually to ensure that the Port's rates and charges are competitive and the rules are current. In addition, the rates and charges are reviewed to reflect the prevailing market rates and economic climate.

There are several factors that are considered during staff's Tariff analysis, including relevant economic indicators such as the Consumer Price Index for the West Region, All Urban Consumers (CPI-U), rate recommendations made by California Association of Port Authorities' (CAPA) member ports, actual rate increases by other CAPA ports, and regional market conditions.

This year, several CAPA ports will be instituting a General Rate Increase, including the Ports of Hueneme, Oakland, and Richmond. The proposed increases for Cruise Ship Passenger Fees are based on a comparative analysis of competitor ports as well as discussions with cruise lines. The proposed new rates for Ultra-Heavy Lift Project Cargo are based on a comparison of Southern California and Gulf Port prevailing rates.

Based on the above factors, staff recommends that the Board conduct a public hearing and adopt the following changes to the Port's Tariff No.1-G:

- Implement a two and eight-tenths percent (2.8%) increase in General Items for Minimum Charge-Item No. 0510; Petroleum Products-Item No. 0650; Temporary Area Assignments-Item No. 0737; Fresh Water Service Rates-Item No. 0740; Electrical Service Rates-Item No. 0745; Electrical Service for Shore Power-Item No. 0748, effective July 1, 2018.
- Implement a two and eight-tenths percent (2.8%) increase in Permit Fees for Cargo Handling Permit Fee-Item No. 0515 and Vessel Repair Permit Fee-Item No. 0520, effective July 1, 2018.
- Implement a two and eight-tenths percent (2.8%) increase for Dockage in Rates for Full Dockage-Item No. 0575 and Dockage Charge for Transient Vessels-Item No. 0572, effective July 1, 2018.
- Implement a two and eight-tenths percent (2.8%) increase for Wharfage Rates for all Commodities and Cruise Passenger Fees for Item Nos. 0600 through 0674, effective July 1, 2018.
- Implement a two and eight-tenths percent (2.8%) increase in Demurrage, Storage & Space Occupancy for Demurrage Rates-Item No. 0705 and Rail Demurrage or Detention-Item No. 0707; Wharfage Storage Rates-Item No. 0720; Per Container Wharf Storage Rates-Item No. 0725; Space Occupancy Rates-Item No. 0735; and Temporary Office Occupancy-Item No. 0736; Temporary Area Assignments-Item No. 0737, effective July 1, 2018.
- Implement a two and eight-tenths percent (2.8%) increase in Mobile Harbor Crane-Item No. 0738; Electrical Service for Refrigerated Containers-Item No. 0747; Redelivery of Merchandise-Item No. 0750; Environmental Surcharge for Dry Bulk-Item No. 0758, effective July 1, 2018.
- Implement a one and nine-tenths of a percent (1.9%) Annual Rate Increase (ARI) in Cruise Ship Passenger Fees-Item No. 0647, effective July 1, 2019; July 1, 2020; and July 1, 2021.
- Perform an amendment of the Tariff to add language, add a new commodity and deletion of an item for the following, effective July 1, 2018:
 - Weight on Wharves-Item No. 0360 add language as follows: *All costs associated with the movement of Ultra Heavy-Lift cargos (over 200 metric tons), including hazardous materials, and other non-containerized cargos requiring special access and technical assessment to the District's terminals, are the sole responsibility of the owner, operator or agent(s).*
 - Project Cargo Rates-Item No. 0631 added new commodity language as follows: *(i) Ultra Heavy-Lift Project Cargo rate from a single unit or piece over two-hundred (200) Metric Tons-New Rate of \$17.00.*
 - Hazardous and Dangerous Cargo Permit-Item No. 0522 deletion of item and language as follows: The fee to handle, transport, load, discharge or store hazardous materials or dangerous cargos at District-owned facilities shall be one hundred and seventy-two dollars (\$172.00) per year, payable in advance, per shipment.
 - Perform an amendment of Tariff language and other minor language modifications as referenced in Attachments E, G, H, L, N, P, X, AA, BB, CC, DD, EE, FF, GG, HH, II, JJ and KK.

The various amended and deleted language above serve to clarify specific billing rates and narrative language in the Tariff.

The proposed rate increases would aid in balancing the rising operational and maintenance costs, and the District's financial reserve needs while maintaining a rate structure that is comparable to competitor ports. Additionally, while some of the Tariff will be used for maintenance; such maintenance shall not be for capital improvements to expand systems.

In addition, pursuant to current Tariff language, annual Pilotage Rates and Charges are pegged to the Producer Price Index (PPI) for the period ending December 2017 as published by the Bureau of Labor Statistics, and will increase by one and one-tenth percent (1.1%) effective August 1, 2018. Pilotage rates are a pass-through charge that is paid directly by customers to the San Diego Bay Pilots Association and do not have direct financial impact to the District.

Customer Outreach

Staff conducted customer outreach through a Tariff Update Stakeholder Meeting and Teleconference calls with customers during early April 2018. Additionally, notification letters were distributed via electronic mail to affected customers on April 11, 2018. Lastly, staff also conducted follow-up phone calls and met in-person with other customers who had questions in regards to the proposed changes.

In accordance with Government Code Section 54954.6(a) (1) (2), a notice of public hearing has been published. Written notification of the proposed Tariff amendment was given to shipping lines, ships agents, stevedores, terminal operators, facilities users, maritime tenants, and San Diego Port Tenants Association.

General Counsel's Comments:

The Office of the General Counsel has reviewed the issued presented in the amendment to the San Diego Unified Port District, Tariff No 1-G, and approves as to form and legality.

Environmental Review:

The proposed Board actions to amend San Diego Unified Port District Tariff No. 1-G to increase rates and charges and updated format and language are Statutorily Exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15273 (Rates, Tolls, Fares, and Charges) and/or Categorically Exempt pursuant to CEQA Guidelines Section 15301 (Class 1 - Existing Facilities) and Sections 2.h and/or 3.a of the District's Guidelines for compliance with CEQA. The existing facilities exemption is proper because the activity in question will only involve an operational change and will involve no expansion of use beyond that previously existing. As part of this action, and based upon the facts and analysis set forth in this agenda sheet and during the public hearing of this matter at the May 8, 2018 Board meeting, staff recommends that the Board adopt specific findings pursuant to CEQA Guidelines Section 15273, subsection (c), as follows:

1. The proposed Project, generally consists of (1) an amendment to Port of San Diego Tariff No. 1-G to increase rates and charges and updated format and language is based on relevant economic indicators such as the Consumer Price Index for West Region for All Urban Consumers, the Producer Price Index for Port and Harbor Operations, and CAPA, and (2) amend the Tariff to include one (1)

newtariff commodity Ultra-Heavy Lift Project Cargo and rate increases to items which consist of a, General items, Dockage items, Wharfage items which includes Cruise Ship Passenger Fees, Demurrage, Storage, Space Occupancy items, and Miscellaneous items, with the exception of Commercial Fishing Vessels, and proposes other minor language modifications.

2. The proposed Project is projected to increase revenues to the District by approximately \$480,000 annually.
3. The proposed Project will maintain a rate structure that is competitive with other competitor ports and is not to obtain funds for capital projects for expansion of systems.
4. The proposed Project is to meet operational expenses of the District and financial reserve needs and requirements of the District and while some of the fees may be used for maintenance activities those maintenance activities will not involve capital projects for expansion of systems.
5. The proposed Project is not to obtain funds for capital projects for expansion of systems and will involve no expansion of use beyond that previously existing.

In addition, the proposed Board action complies with Sections 36 of the Port Act specifically gives the Board of Port Commissioners (Board) the authority to “by ordinance fix the rate[s] . . . or other charges which are appropriate for the use of any of the facilities owned and constructed or services furnished or provided by the [D]istrict” and therefore, it is within the District’s authority to set tariff rates on tidelands.

Finally, the proposed Board action is considered an “excluded development” pursuant to Section 8.a (Existing Facilities) of the District’s Coastal Development Permit Regulations; therefore, issuance of a Coastal Development Permit is not required.

Equal Opportunity Program:

Not applicable.

PREPARED BY:

Greg Borossay
Principal Maritime Business Development

Attachment(s):
Attachment A-KK: Tariff No. 1-G