



Legislation Text

File #: 2023-0099, **Version:** 1

DATE: MAY 9, 2023

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 of San Diego (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 an eight percent (8.0%) General Rate Increase (GRI) in General items, Dockage items, Wharfage items, Demurrage, Storage & Space Occupancy items, and Miscellaneous items, with an exception to Commercial Fishing Vessels, Passenger Fees for Cruise Ships, Cruise Facility Improvement Fee, Rail | Truck Transfer Fee for Vehicles and Commercial Vehicles, and Pilotage Rules & Rates, effective July 1, 2023.
2. Modify language and add a corresponding rate of \$3,000 to include Shore Power Connection Fee in Electrical Services for Shore Power-Item No. 0748, effective July 1, 2023.
3. Perform an amendment of Tariff language and other minor language modifications, effective July 1, 2023.

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

market conditions and impacts of the post-COVID-19 pandemic.

The proposed Tariff rate increases will result in a positive revenue impact of approximately \$1.4 million annually.

RECOMMENDATION:

- A. Adopt a resolution finding the amendment to the San Diego Unified Port District, Port of San Diego 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, Port of San Diego Tariff No. 1-G, to increase rates and charges, add new rates and update language as follows:**
- Implement an eight percent (8.0%) General Rate Increase (GRI) in General items, Dockage items, Wharfage items, Demurrage, Storage & Space Occupancy items, and Miscellaneous items, with an exception to Commercial Fishing Vessels, Passenger Fees for Cruise Ships, Cruise Facility Improvement Fee, Rail | Truck Transfer Fee for Vehicles and Commercial Vehicles, Pilotage Rules & Rates, effective July 1, 2023.
 - Modify language and add a corresponding rate of \$3,000 to include Shore Power Connection Fee in Electrical Services for Shore Power-Item No. 0748, effective July 1, 2023.
 - Perform an amendment of Tariff language and other minor language modifications, effective July 1, 2023.

FISCAL IMPACT:

The proposed Tariff rate increases will result in a positive revenue impact of approximately \$1.4 million annually.

COMPASS STRATEGIC GOALS:

This agenda item supports the following Strategic Goal(s).

- 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 (District), Port of San Diego (Port) Tariff No. 1-G (Tariff) governs the rates, charges, rules, and regulations applicable for all maritime-related commerce under the Port's jurisdiction. The Tariff is reviewed annually to ensure that the Port's rates are competitive and

the rules current. In addition, the rates and charges are reviewed to reflect prevailing market conditions and economic climate as well as the impacts of the global supply chain post- COVID-19 pandemic.

General Rate Increase:

Several factors are considered during staff's Tariff analysis, including the California Association of Port Authorities' (CAPA) recommendation for member ports to consider annual General Rate Increase (GRI), based on the Bureau of Labor Statistics (BLS) West Region Consumer Price Index for All Urban Consumers (CPI-U). The BLS has identified a six-point two percent (6.2%) CPI-U during the twelve-month period ending December 2022. Participating CAPA members may opt to use the CPI-U or other local or regional CPI indices as the 'floor' for implementing a general rate increase. Staff also took into consideration actual rate increases by other member ports. Most CAPA member ports will be instituting GRIs ranging from six percent (6%) to ten percent (10%).

District staff recommends implementing a General Rate Increase (GRI) based on the BLS CPI-U annual average for 2022 of eight percent (8%) across all Tariff items with some exceptions.

Shore Power Connection Fee:

Staff recommends amending Electrical Service for Shore Power and add a \$3,000 rate per connection to the District's shore power system. The District implemented the shore power system in 2010, however, in consideration of previous cruise market trends the District withheld charging the cruise lines the cost associated with professional services used to technically oversee shore power operations during the commissioning of the system prior to each cruise season as well as during connection periods in the cruise season.

Under the current regulatory environment which now mandates 100% connection for cruise calls, and in discussions with our cruise line partners, staff recommends it is now appropriate to implement a shore power connection fee. This allows the District to recover costs associated with professional services connection fees for the shore power system at the Cruise Ship Terminal.

Exemptions:

Staff is not recommending an increase on Commercial Fishing Vessels, Passenger Fees for Cruise Ships, Cruise Facility Improvement Fee, Rail | Truck Transfer Fee for Vehicles and Commercial Vehicles, and Pilotage Rates and Charges at this time.

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, effective July 1, 2023:

- Implement an eight percent (8.0%) General Rate Increase (GRI) in General items, Dockage items, Wharfage items, Demurrage, Storage & Space Occupancy items, and Miscellaneous items.

(Attachments A - X)

- Modify language for Electrical Services for Shore Power-Item No. 0748 and add new item and

reference rate, as follows:

- (d) Passenger vessels that connect to the District's shore power system at the B Street or Broadway Piers will be assessed a shore power connection fee. Connection fee is in addition to electrical usage charges.
- | | |
|---------------------|------------|
| Connection Fee..... | \$3,000.00 |
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(Attachment W)

- Perform an amendment of Tariff language and other minor language modifications. (Attachments Y, Z, AA)

Finally, staff recommends amending other minor language modifications to accurately reflect administrative changes and clarifying language.

The proposed rate increases would aid in balancing the rising costs of maintenance and infrastructure associated with maritime operations while maintaining a rate structure that is comparable to competitor ports.

Stakeholder Outreach:

On April 5 and April 24, 2023, staff distributed a notification letter via e-mail to all customers and stakeholders affected by the proposed Tariff amendments. During the weeks of April 3 through April 27 staff held several Tariff Update phone and in-person meetings with direct Tariff customers to further discuss the proposed changes, address and respond to any clarifying questions or concerns. Additionally, to ensure that that our customers and key stakeholder are aware of the upcoming proposed Tariff changes, staff conducted follow-up phone calls and e-mails.

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 Working Waterfront Group.

General Counsel's Comments:

The General Counsel's Office has reviewed and approved the agenda sheet and attachments, as presented, as to form and legality.

Environmental Review:

The Board actions to amend San Diego Unified Port District Tariff No. 1-G to increase rates, add new rates, and update 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 these actions, and based upon the facts and analysis set forth in this agenda sheet and during the public hearing of this matter at the May 9,

2023, Board meeting, staff recommends that the Board adopt specific findings pursuant to CEQA Guidelines Section 15273, subsection (c), as follows:

1. The proposed Board action, generally consists of an amendment to Port of San Diego Tariff No. 1-G, effective July 1, 2023, to:
 - a. Implement an eight percent (8.0%) General Rate Increase (GRI) in General items, Dockage items, Wharfage items, Demurrage, Storage & Space Occupancy items, and Miscellaneous items, with an exception to Commercial Fishing Vessels, Passenger Fees for Cruise Ships, Cruise Facility Improvement Fee, Rail | Truck Transfer Fee for Vehicles and Commercial Vehicles, and Pilotage Rules & Rates.
 - b. Modify language and add a corresponding rate of \$3,000 to include Shore Power Connection Fee in Electrical Services for Shore Power-Item No. 0748.
 - c. Perform an amendment of Tariff language and other minor language modifications.
2. The proposed Board action is projected to increase Fiscal Year 2024 revenues to the District by approximately \$1.4 million.
3. The proposed Board action will maintain a rate structure that is competitive with other ports.
4. The proposed Board action is to meet operational expenses, financial reserve needs, and requirements of the District.
5. The proposed Board action is not to obtain funds for capital projects for the expansion of systems and will involve no expansion of use beyond that previously existing; however, some of the fees may be used for maintenance activities.

In addition, the proposed Board action complies with Section 36 of the Port Act which specifically gives the Board the authority to “by ordinance fix the rate of wharfage charges and other charges which are appropriate for the use of any of the facilities owned and constructed or services furnished or provided by the District” 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.

Diversity, Equity, and Inclusion Program:

This agenda sheet has no direct DEI impact on District workforce or contract reporting at this time.

PREPARED BY:

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Attachment(s):

Attachments A-AA: San Diego Unified Port District | Port of San Diego | Tariff No. 1-G