



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 15, 2020

FROM: ENVIRONMENTAL MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ - REIMBURSEMENT AGREEMENT
BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND
PHILLIPS 66 COMPANY**

SUMMARY:

Staff requests approval of a proposed Reimbursement Agreement (Agreement) with Phillips 66 Company (Phillips 66) to reimburse the City of Los Angeles Harbor Department (Harbor Department) one hundred percent of staff and consultant costs associated with the preparation of project documents for an environmental assessment. The environmental assessment will be prepared to allow Phillips 66 to install a new berthing system and perform structural wharf repairs at the Port of Los Angeles (Port) Berths 148-149 and to construct a new Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) compliant wharf at Berths 150-151 as required by the California State Lands Commission (CSLC) (Project). The proposed Agreement is for a term of three years with an estimated amount of \$350,000. Phillips 66 is financially responsible for these expenditures.

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 administratively exempt from the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Reimbursement Agreement with Phillips 66 Company to reimburse the City of Los Angeles Harbor Department for preparation costs of the environmental assessment associated with the Berths 148-151 Marine Oil Terminal Engineering and Maintenance Standards Project for a contract term of three years and for an estimated amount of \$350,000;

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3. Authorize the Executive Director to execute and the Board Secretary to attest to, said Agreement for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – MOTEMS, are building standards (California Building Code, *Chapter 31F - Marine Oil Terminals*) that apply to all marine oil terminals in California. The MOTEMS establish minimum engineering, inspection, and maintenance criteria for marine oil terminals to protect public health, safety and the environment, and govern the upgrade and design of terminals to ensure better resistance to earthquakes and reduce the potential of oil spills.

Under MOTEMS, CSLC requires that modifications be made to Phillips 66's terminal at Berths 148-149 by the end of 2020 to bring the wharf closer to MOTEMS compliance and be allowed to continue operations as a MOTEMS-compliant wharf. To help facilitate this, the Harbor Department will prepare an environmental assessment that must be completed before the work at Berths 148-149 can begin. The environmental assessment will also consider constructing a new MOTEMS-compliant wharf at Berth 150-151. Phillips 66 has agreed to pay all staff and consultant costs, as well as any outside legal defense costs (if necessary) associated with the preparation of the environmental assessment.

Proposed Project and Schedule – Berths 148-151 have been in continuous use as oil terminals since they were developed in the early 1920s (150-151) and 1950s (148-149). Berths 150-151 were developed first by Union Oil, and the company later expanded into Berths 148-149 as their operations required more space. Each of the berths are occupied by a variety of buildings and structures related to oil storage, including oil tank farms and pre-fabricated buildings such as offices and sheds. Each pair of berths (e.g., 150-151 and 148-149) is united by a wharf at the water's edge. The wharf at Berths 150-151 is predominantly timber, while the wharf at Berths 148-149 was reconstructed in concrete in the 1950s.

The existing 575-foot long timber wharf at Berths 150-151 has deteriorated extensively and is classified as "not fit for service" per MOTEMS. The existing wharf at Berths 150-151 has not been utilized as a functional MOT since at least 2012. As a result, Phillips 66 currently conducts all of its MOT operations (i.e., transfer of petroleum commodities) at adjacent Berths 148-149, which consist of a 608-foot long concrete wharf and a 432-foot long concrete pipe-support structure.

The Project at Berths 148-149 will include the installation of a new berthing "strong point"

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structure within the structure of the existing wharf, timber fender piles, and new floating fenders; and the performance of structural repairs to the existing concrete wharf and bulkhead wall.

The Project at Berths 150-151 will include the demolition and replacement of existing structures with a concrete wharf, designed to comply with MOTEMS design standards and requirements. The existing timber wharf would be replaced with a new concrete wharf, mooring and breasting dolphins (i.e., structures for the berthing and mooring of vessels), access ramps, and catwalks. Improvements would also include new topside and piping components to connect the new platform to existing pipes and tanks in the backlands.

ENVIRONMENTAL ASSESSMENT:

CEQA Documentation and Schedule – The Harbor Department, as the CEQA lead agency, will conduct the necessary environmental assessment activities and special studies to satisfy the requirements of CEQA. The Environmental Management Division (EMD) began a CEQA document addressing the MOTEMS-related repairs at Berths 150-151 in 2018. This Project was placed on hold in 2019. Upon Board approval of the reimbursement agreement, this scope will be updated and work will continue.

Environmental Assessment Cost and Consultant Selection – The total estimated cost to complete a Mitigated Negative Declaration for the Project, including staff charges and consultant services, is approximately \$350,000. Actual costs may be higher or lower than this estimate. EMD has consulting agreements in place for as-needed CEQA environmental services to perform the work in connection with the preparation of the environmental assessment.

Proposed Reimbursement Agreement – The proposed action is approval of a proposed Agreement for a term of three years, with a one hundred percent reimbursement of costs for the preparation of the environmental assessment estimated at \$350,000, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Agreement will require Phillips 66 to reimburse the Harbor Department one hundred percent of all staff and consultant costs and project fees for the preparation of the environmental review of the Berths 148-151 MOTEMS Project.

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Initial payments from the Harbor Department for consultant costs and project fees will be recognized as receivables to Account No. 11225 (Reimbursable Costs-Env Projects) Center No. 7000 (Balance Sheet), Program No. 000 (Base Budget) as follows:

| | |
|--------------|-------------------|
| FY 2020/21 | \$ 300,000 |
| FY 2021/22 | \$ 25,000 |
| FY 2022/23 | \$ <u>25,000</u> |
| TOTAL | \$ 350,000 |

The Harbor Department will bill Phillips 66 on a monthly basis upon agreement execution. As the Harbor Department receives reimbursement payments from Phillips 66 for the consultant costs and project fees, the reimbursement payments will clear the associated receivable transactions.

CITY ATTORNEY:

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

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TRANSMITTAL:

1. Reimbursement Agreement with Phillips 66 Company



CHRISTOPHER CANNON
Director of Environmental Management

FIS Approval: MB
CA Approval: MB



MICHAEL DiBERNARDO
Marketing and Customer Services

APPROVED:



EUGENE D. SEROKA
Executive Director

CC/YO
AUTHOR: LISA WUNDER

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