



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

Board of Harbor Commissioners

DATE: JANUARY 14, 2020

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A PROPOSED REIMBURSEMENT AGREEMENT AMONG THE CITY OF LOS ANGELES HARBOR DEPARTMENT, SHORE TERMINALS, LLC AND ULTRAMAR, INC.

SUMMARY:

Staff requests approval of a proposed Reimbursement Agreement (Agreement) with Shore Terminals, LLC (Shore Terminals), a wholly-owned subsidiary of permit applicant NuStar Energy L.P. (NuStar), and Ultramar, Inc. (Ultramar), a wholly owned subsidiary of permit applicant Valero Energy Corporation (Valero), to reimburse the City of Los Angeles Harbor Department (Harbor Department) one hundred percent of all City staff, consultant(s), and outside counsel costs for the preparation, review and legal defense (if necessary) of an environmental assessment to build a new wharf at the Port of Los Angeles, Berths 163 and 164. The environmental assessment will be prepared to evaluate the applicants' joint project proposal to construct the new wharf as required by the California State Lands Commission (CSLC) under the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) program (proposed Project). The proposed Agreement is for a term of three years with an estimated amount of \$750,000. Ultramar, as the primary responsible party for making timely payments to the Harbor Department, may seek payment from Shore Terminals. The Harbor Department's Real Estate Division will negotiate new 30-year permits to allow NuStar and Valero to amortize the cost of the wharf construction.

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 Shore Terminals, LLC and Ultramar, Inc. to reimburse the City of Los Angeles Harbor Department for costs related to the environmental assessment associated with the Berths 163 and 164 Marine Oil Terminal Engineering and Maintenance Standards Project for a contract term of three years and for an estimated amount of \$750,000;

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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 – The NuStar marine terminal occupies a land area of approximately 9.8 acres and has one dedicated berth (Berth 163), which is immediately adjacent to Berth 164 (Valero). Valero has secondary use rights to Berth 163. The existing Valero marine terminal at Berth 164 occupies a land area of approximately 10.5 acres. The existing terminals also include above-ground storage tanks, parking and several ancillary buildings. The terminals handle primarily partially-refined petroleum products such as gasoil, naphtha, biodiesel, and refinery feedstocks (except crude oil).

The MOTEMS are building standards (California Building Code, *Chapter 31F - Marine Oil Terminals*) that apply to all existing marine oil terminals in California and include criteria for inspection, structural analysis and design, mooring and berthing, geotechnical considerations, fire, piping, mechanical and electrical systems. The MOTEMS require each marine oil terminal to conduct an audit to determine the level of compliance and an evaluation of the continuing fit-for-purpose of the facility. Depending on the results, the terminal owner and/or operators must then determine what actions are required to meet the standards and provide a schedule for implementation of deficiency corrections and/or rehabilitation.

Based upon the findings of audits completed in 2010 and 2013, NuStar and Valero previously submitted Applications for Port Permits to build a new MOTEMS-compliant wharf at Berths 163 and 164, respectively. To help facilitate this, the Harbor Department began preparation of separate environmental assessments, which must be completed before the work can begin. Subsequently, the applicants have decided to build a single joint MOTEMS-compliant wharf and agreed to perform a combined environmental assessment covering the new proposed Project. Ultramar, as the primary responsible party, and to streamline billing, has agreed to pay one hundred percent of all City staff, consultant(s), and outside counsel costs for the preparation, review and legal defense (if necessary) of the new environmental assessment-related documents. Ultramar is responsible for billing Shore Terminals for their portion of the proposed Project.

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 assessment is underway.

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Environmental Assessment Cost and Consultant Selection – The total estimated cost to complete the environmental assessment activities for the proposed Project is approximately \$750,000. Actual costs may be higher or lower than this estimate. The Harbor Department Environmental Management Division has consulting agreements in place for as-needed CEQA environmental services and has selected Ramboll as the lead consultant to perform the work in connection with the preparation of the environmental assessment, since they were previously preparing the separate Valero CEQA document.

Proposed Reimbursement Agreement – The proposed action is approval of a Reimbursement Agreement for a term of three years, with one hundred percent reimbursement of costs for the preparation of the environmental assessment estimated at \$750,000. As an administrative activity, 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:

Approval of the proposed Agreement will require Ultramar to reimburse the Harbor Department for one hundred percent of all City staff, consultant(s), and outside counsel costs for the preparation, review and legal defense (if necessary) of the environmental assessment of the proposed Project at Berths 163 and 164.

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) for work, as follows:

FY 2019/20	\$ 600,000
FY 2020/21	<u>\$ 150,000</u>
TOTAL	\$ 750,000

Ultramar is financially responsible for reimbursing the Harbor Department for one hundred percent of all City staff, consultant(s), and outside counsel costs for the preparation, review and legal defense (if necessary) of the environmental assessment of the proposed Project. The Harbor Department will bill Ultramar on a monthly basis upon agreement execution. As the Harbor Department receives reimbursement payments from Ultramar for the consultant costs and project fees, the reimbursement payments will clear the associated receivable transactions. Ultramar is responsible for billing Shore Terminals for their portion of the proposed Project.

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 Shore Terminals, LLC and Ultramar, Inc.

FIS Approval: MB
CA Approval: SO

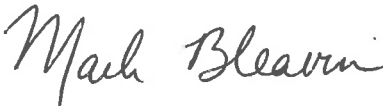


CHRISTOPHER CANNON
Director of Environmental Management



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APPROVED:



EUGENE D. SEROKA ^{FOR}
Executive Director

CC/YO
AUTHOR: LISA WUNDER

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