

**DATE: SEPTEMBER 8, 2021**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - SECOND AMENDMENT TO FUNDING AGREEMENT NO. 15-3362 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY TO ALLOW CHEVRON TO UTILIZE HARBOR DEPARTMENT SITE ASSESSMENT AGREEMENTS**

**SUMMARY:**

Staff requests approval of a proposed Second Amendment to Funding Agreement No. 15-3362 between Chevron Environmental Management Company (Chevron) and the City of Los Angeles Harbor Department (Harbor Department). The proposed Second Amendment extends the term of Agreement No. 15-3362 by an additional three years and increases the contract amount by \$228,207. The proposed Second Amendment continues to provide a convenience to one of the Harbor Department's tenants, West Basin Container Terminals (WBCT), by allowing one of the Harbor Department's as-needed consultants to conduct sampling and monitoring activities required of Chevron by the Los Angeles Regional Water Quality Control Board (LARWQCB). Chevron is financially responsible for all work performed by the Harbor Department's as-needed consultant on its behalf, and Chevron continues to be responsible for any and all continuing requirements set forth by the LARWQCB.

**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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 6(2) of the Los Angeles City CEQA Guidelines;
2. Approve the Second Amendment to Funding Agreement No. 15-3362 between the City of Los Angeles Harbor Department and Chevron Environmental Management Company, a corporation, for \$228,207 and extending the term by three years;

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3. Authorize the Executive Director to execute and the Board Secretary to attest to, said Second Amendment for and on behalf of the Board; and
4. Adopt Resolution No.\_\_\_\_\_.

**DISCUSSION:**

Background/Content – During almost 70 years of operation, Chevron’s storage tanks and pipelines leaked and contaminated the soil and groundwater in the area of the WBCT with petroleum hydrocarbons. After the Chevron Marine Operations Terminal (MOT) ceased operations and was demolished in 1991, Chevron cleaned up most of the contamination at the site at a cost of more than \$30 million. To date, Chevron has completed two major soil remedial actions. The first action was completed in 1993 and in advance of the original China Shipping Terminal development project now operated for China Shipping and Yang Ming as the WBCT. The second remedial action, completed in 2012, addressed pipeline leaks and subsurface oil plumes that had migrated to the adjacent Berth 95 area. Monitoring of the ten groundwater monitoring wells is required by the LARWQCB to demonstrate the effectiveness of Chevron remedial actions taken to date. These monitoring wells are located in WBCT’s Berth 100 area.

On November 10, 2015, the Board approved Funding Agreement No. 15-3362 with Chevron for a term of three years to allow Chevron to utilize the services of an environmental consulting firm, which was under contract with the Harbor Department (Agreement No. 17-3479), to better accommodate access and scheduling issues associated with WBCT’s operations. The primary objective of the agreement is to provide a convenience to WBCT and allow Chevron to comply with its monitoring obligations established by LARWQCB while creating the least disturbance possible to terminal operations. This contractual arrangement saves WBCT the trouble of negotiating a separate access agreement with Chevron to conduct the sampling and monitoring. On October 18, 2018, the Board approved the First Amendment to Funding Agreement No. 15-3362 extending the term of the agreement by three years. Chevron continues to remain financially responsible for all of the work, as well as remain responsible for any and all ongoing sampling and monitoring obligations set forth by the LARWQCB.

After completion of each monitoring event, the consultants’ invoices will be submitted directly to Chevron for payment, as opposed to the typical reimbursement process through the Harbor Department. Since Chevron will pay the work invoices directly, there will continue to be no actual expenditure of Harbor Department funds.

City Council approval is not required under City of Los Angeles Administrative Code Section 10.5(b)(2) for this amendment to the contract, even though it extends the term beyond three years. Section 10.5(b)(2) requires City Council approval for amendments

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extending the term beyond three years only when it is anticipated that the estimated or actual annual payments to be made will exceed \$100,000, as adjusted annually in accordance with the Consumer Price Index. As of the date of this Board report, \$169,418 is the current adjusted value for annual payments above which City Council approval is required under Section 10.5(b)(2). The proposed Second Amendment's total expenditure will be \$228,207 over the three-year period, for an annual average of \$76,069. At no time during the three-year period is there expected to be annual payments exceeding the \$169,418 payment threshold.

Proposed Project Schedule – Due to the very busy terminal operations and in coordination with the WBCT, the groundwater monitoring wells have been located in the aisle spaces at the terminal rather than within the container-stall storage areas. The schedule assumes that the terminal would be accessible only on weekends, excluding holidays, for groundwater monitoring and sampling. In addition, waste disposal would be accessible and assumed to occur on weekdays, excluding holidays. The wells will be sampled on a semi-annual basis for a period of three years. The Second Amendment is active for a three-year period from the date of execution. This time period will include three years of semi-annual groundwater monitoring activities. The following schedule is anticipated for the project:

- FY 2021/22: One semi-annual monitoring event (January 2022)
- FY 2022/23: Two semi-annual monitoring events (July 2022 and January 2023)
- FY 2023/24: Two semi-annual monitoring events (July 2023 and January 2024)
- FY 2024/25: One semi-annual monitoring event (July 2024)

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is for approval of the Second Amendment to Funding Agreement No. 15-3362 with Chevron's payment of up to \$228,207, which is an activity involving basic data collection. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 6(2) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Second Amendment will require Chevron, a corporation, to pay 100% of consultant costs at no cost to the Harbor Department. The consultant costs associated with this Second Amendment are expected to be \$228,207, which includes a contingency of \$40,821 for unexpected costs such as non-routine well repair and rehabilitation. Funding Agreement No. 15-3362 was approved in the amount of \$362,361, which includes a contingency of \$34,006 for unanticipated delays in well installation. The First Amendment to Funding Agreement No. 15-3362 was approved in the amount of

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\$197,853, which includes a contingency of \$35,729 for unexpected costs. The proposed cumulative cost of Funding Agreement No. 15-3362 and associated amendments is \$788,421, which includes a combined contingency of \$110,556. Consultant invoices will be paid directly by Chevron. The Harbor Department has authorized the use of one of its Site Assessment As-Needed Agreements, Agreement No. 20-3726. The available agreement funds are reduced by the work authorization for Chevron. The Harbor Department may terminate the Agreement for any reason, such as non-payment of invoices. However, such termination shall not relieve Chevron's liability for any obligation previously incurred. Based on the work schedule it is anticipated that Chevron's expenditures under the proposed Second Amendment will be as follows:

FY 2021/22	\$ 36,838
FY 2022/23	\$ 75,637
FY 2023/24	\$ 76,752
FY 2024/25	<u>\$ 38,980</u>
<b>TOTAL</b>	<b>\$228,207</b>

Any tasks that may occur after the last monitoring event in FY 2024/25 will be covered under an agreement amendment. Future tasks may include abandonment of the wells and/or continued semi-annual monitoring.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the Second Amendment to Funding Agreement No. 15-3362 as to form and legality.

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**TRANSMITTAL:**

1. Second Amendment to Funding Agreement No. 15-3362 between the City of Los Angeles Harbor Department and Chevron Environmental Management Company

FIS Approval: *MB*  
CA Approval: *JS*



CHRISTOPHER CANNON  
Director of Environmental Management



MICHAEL DIBERNARDO  
Deputy Executive Director

APPROVED:

*Marla Bleavins* For

EUGENE D. SEROKA  
Executive Director

CC/YO  
AUTHOR: P. LY

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