



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

**DATE: JUNE 5, 2018**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FOREIGN-TRADE  
ZONE SUBZONE OPERATING AGREEMENT BETWEEN THE CITY OF  
LOS ANGELES HARBOR DEPARTMENT AND PHILLIPS 66 COMPANY  
FTZ 202, SITE C**

**SUMMARY:**

Staff requests the approval of the Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Phillips 66 Company (P66Co) to continue operating its refinery and storages within FTZ 202, Site C. Site C consists of four refining, storage facilities and office space located in Carson, Torrance, and Wilmington. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ operators to oversee their FTZ operations.

Currently, the Harbor Department and P66Co have an FTZ Agreement which will expire on June 30, 2018. P66Co wishes to continue operating its refinery as a FTZ thus, the Harbor Department needs to execute a new Agreement as required by the FTZ Board.

FTZ 202 Site C consists of a refinery and office space on 727 acres in Wilmington. P66Co will be operating its facilities under FTZ procedures. This proposed Agreement will not require funding by the Harbor Department. The proposed Agreement is for a term of five years, commencing July 1, 2018, to June 30, 2023. Upon approval, the proposed Agreement is for five years with three, five-year renewal options at an annual compensation of \$10,000.

**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 1 (14), of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Phillips 66 Company;
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval pursuant to Section 373 of

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SITE C

the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background and Context – The FTZ Act of 1934, as amended (19 U.S.C. 81a-81u), was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of an FTZ is a restricted access site located in the U.S. Customs and Border Protection (CBP) territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption. The Harbor Department, as the FTZ grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators (Transmittal 1).

Need for Agreement – P66Co is a U.S. company with its head office located in Houston, Texas, employing approximately 868 full-time and part-time employees working within the FTZ activated area. P66Co has continually operated the FTZ Site C since 1998. This facility consists of four refining and storage facilities and office space on parcels totaling 727 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3). P66Co shall follow the rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ.

Need for Approval – P66Co is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site C as a Subzone facility for a term of five years with three, five-year renewal options. P66Co receives, refines, stores, and manages inventory, and distributes various refined products which will be distributed for U.S. consumption. Occasionally, products may be re-exported from this facility.

If a company does not obtain approval as an operator with FTZ status from the Harbor Department, they potentially have the choice of going to another FTZ in California such as Long Beach, Palmdale, etc., or even going out of State. Since multiple FTZ grantees exist in the Los Angeles area, a company can potentially shift its FTZ grantee to seek FTZ status under another grantee.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. P66Co will pay an annual fee of \$10,000 to the Harbor Department for the term of the proposed Agreement.

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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed FTZ Agreement with P66Co, to operate its site within the FTZ 202 service area at Site C, located in Wilmington, which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the CEQA in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from P66Co per FTZ Tariff No. 2. Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ related expenses. During fiscal year 2017, approximately \$88,550 was spent on outside FTZ related consulting services, while \$337,172 in revenue was collected from the Harbor Department FTZ operators.

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**CITY ATTORNEY:**

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

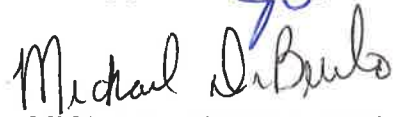
**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement for Phillips 66 Company FTZ 202, Site C
2. FTZ 202, Site C Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

FIS Approval:   
CA Approval: 



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

ES:MD:EC:ms  
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