

**DATE: NOVEMBER 12, 2024**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - THIRD 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 Third Amendment to Funding Agreement No. 15-3362 (Agreement) between Chevron Environmental Management Company (Chevron) and the City of Los Angeles Harbor Department (Harbor Department). The proposed Third Amendment extends the term of Agreement No. 15-3362 by an additional three years and increases the contract amount by \$248,940. Approval of the proposed Third Amendment will allow Harbor Department's consultants to continue to provide sampling and monitoring services to one of the Harbor Department's tenants, West Basin Container Terminals (WBCT), which is 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 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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Third Amendment to Funding Agreement No. 15-3362 between the City of Los Angeles Harbor Department and Chevron Environmental Management Company;
3. Authorize the Executive Director to execute and the Board Secretary to attest to, said Third Amendment for and on behalf of the Board; and
4. Adopt Resolution No. \_\_\_\_\_.

**DATE: NOVEMBER 12, 2024**

**PAGE 2 OF 5**

**SUBJECT: THIRD AMENDMENT TO FUNDING AGREEMENT NO. 15-3362 WITH CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY**

**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 Everglades 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 10 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 extending the term of the Agreement by three years. On September 3, 2021, the Board approved the Second Amendment to the Agreement by extending the term of the Agreement by another three years, for a total of nine years. Chevron continues to remain financially responsible for all the work, as well as remain responsible for all ongoing sampling and monitoring obligations set forth by the LARWQCB.

After completion of each monitoring event, the consultants’ invoices are 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 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 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, \$187,496 is the current adjusted value for annual payments above which City Council approval is

**DATE: NOVEMBER 12, 2024**

**PAGE 3 OF 5**

**SUBJECT: THIRD AMENDMENT TO FUNDING AGREEMENT NO. 15-3362 WITH CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY**

required under Section 10.5(b)(2). The proposed Third Amendment's (Transmittal 1) total expenditure will be \$248,940 over the three-year period, for an annual average of \$82,980. At no time during the three-year period is there expected to be annual payments exceeding the \$187,496 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 Third Amendment is active for a three-year period from the date of execution. This time will include three years of semi-annual groundwater monitoring activities. The following schedule is anticipated for the project:

- FY 2024/25: One semi-annual monitoring event (January 2025)
- FY 2025/26: Two semi-annual monitoring events (July 2025 and January 2026)
- FY 2026/27: Two semi-annual monitoring events (July 2026 and January 2027)
- FY 2027/28: One semi-annual monitoring event (July 2027)

#### **ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval for the Third Agreement with Chevron to extend the term of Agreement No. 15-3362, 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 Third Amendment will require Chevron to pay 100% of consultant costs. The consultant costs associated with this Third Amendment are expected to be \$248,940, which includes a contingency of \$44,508 for unexpected costs such as non-routine well repair and rehabilitation. The Harbor Department has authorized the work under one of its Site Assessment As-Needed Agreements. Chevron will continue to pay these costs directly to the port consultant. The Harbor Department may terminate the Agreement for any reason, such as non-payment of invoices. Based on the work schedule it is anticipated that Chevron's expenditures under the proposed Third Amendment will be as follows:

**DATE: NOVEMBER 12, 2024**

**PAGE 4 OF 5**

**SUBJECT: THIRD AMENDMENT TO FUNDING AGREEMENT NO. 15-3362 WITH  
CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY**

FY 2024/25	\$ 38,273
FY 2025/26	\$ 81,257
FY 2026/27	\$ 84,447
<u>FY 2027/28</u>	<u>\$ 44,963</u>
<b>TOTAL</b>	<b>\$248,940</b>

**CITY ATTORNEY:**

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

DATE: NOVEMBER 12, 2024

PAGE 5 OF 5

SUBJECT: THIRD AMENDMENT TO FUNDING AGREEMENT NO. 15-3362 WITH  
CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY

**TRANSMITTAL:**

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

FIS Approval: JS

CA Approval: SO



LISA WUNDER  
Acting Director of Environmental Management

*Michael DiBernardo*

MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

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EUGENE D. SEROKA  
Executive Director

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