



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 11, 2018

FROM: ENVIRONMENTAL MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ - FIRST 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 first amendment (First Amendment) to Funding Agreement No. 15-3362 (Agreement No. 15-3362) between Chevron Environmental Management Company (Chevron) and the City of Los Angeles Harbor Department (Harbor Department) to extend it for an additional three years and increase the contract amount by \$197,853. The proposed First Amendment would continue 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 on-call contractors, in this case Tetra Tech, Inc. (Tetra Tech), to conduct sampling and monitoring activities required of Chevron by the Los Angeles Regional Water Quality Control Board (LARWQCB). Agreement 15-3362 was first approved by the Board of Harbor Commissioners in 2015 to save WBCT the trouble of negotiating a separate access agreement with Chevron to conduct the sampling and monitoring. By the terms of Agreement No. 15-3362 as amended by this First Amendment, Chevron is financially responsible for all work performed by Tetra Tech 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 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;

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

2. Approve the First Amendment to Funding Agreement No. 15-3362 between the City of Los Angeles Harbor Department and Chevron Environmental Management Company, a corporation, for \$197,853 and extending the term by three years;
3. Authorize the Executive Director to execute and the Board Secretary to attest to, said First 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 with petroleum hydrocarbons. After the Chevron 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 30, 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 Tetra Tech, Inc., an environmental consulting firm 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 Agreement No. 15-3362 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. Agreement No. 15-3362 saves WBCT the trouble of negotiating a separate access agreement with Chevron to conduct the sampling and monitoring.

Under terms of Agreement No. 15-3362, the Harbor Department allows Tetra Tech to enter the WBCT using Harbor Department landlord access protocols by virtue of its Harbor Department on-call contract to conduct the necessary LARWQCB sampling and monitoring requirements on behalf of Chevron. Harbor Department on-call contractors can enter WBCT using pre-established landlord access procedures in a manner that is much easier than for an outside party such as Chevron or its consultants. Agreement No. 15-3362 requires Chevron 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.

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

It should be noted that Tetra Tech's on-call agreement with the Harbor Department expires in March 2020. Staff nevertheless recommends that this First Amendment to the Agreement with Chevron be approved for a full three years for the following reasons. First, Chevron's monitoring obligations will go beyond March 2020 and a funding agreement will continue to be necessary. Second, prior to the March 2020 expiration date, the Harbor Department will undertake a new competitive selection process for its pool of on-call consultants for as-needed site assessment and restoration services, at which time new on-call agreements will be signed with contractors identified as part of that process. Once the new on-call contractors have been identified, an amendment to Funding Agreement No. 15-3362 can be prepared in the event that Tetra Tech is not selected. Also, Funding Agreement 15-3362 has a 30-day termination clause allowing termination of the current agreement if necessary.

After completion of each monitoring event and per the First Amendment, 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 be no actual expenditure of Harbor Department funds.

Finally, 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, \$149,111 is the current adjusted value for annual payments above which City Council approval is required under Section 10.5(b)(2). The proposed First Amendment's total expenditure will be \$197,853 over the three-year period, for an annual average of \$69,951; at no time during the three year period is there expected to be annual payments exceeding the \$149,111 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 for one weekday and on Sundays, excluding holidays. The wells will be sampled on a semi-annual basis for a period of three years. The First 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 2018/19: One semi-annual monitoring event (January 2019)
- FY 2019/20: Two semi-annual monitoring events (July 2019 and January 2020)
- FY 2020/21: Two semi-annual monitoring events (July 2020 and January 2021)
- FY 2021/22: One semi-annual monitoring event (July 2021)

DATE: OCTOBER 11, 2018

PAGE 4 OF 5

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

ENVIRONMENTAL ASSESSMENT:

The proposed actions are approval of the First Amendment to Funding Agreement No. 15-3362 with Chevron's payment of up to \$197,853, 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 First Amendment will require Chevron Environmental Management Company, a corporation, to pay 100% of consultant costs at no cost to the Harbor Department. The consultant costs are expected to be \$197,853, which includes a contingency of \$35,729 for unexpected costs such as non-routine well repair and rehabilitation. There is no financial impact to the Harbor Department for this Board Action. The Harbor Department has authorized the use of one of its Site Assessment As-Needed Agreements, Tetra Tech, Inc. Agreement No. 17-3479. 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 First Amendment will be as follows:

FY 2018/19	\$ 33,400
FY 2019/20	\$ 64,567
FY 2020/21	\$ 66,440
FY 2021/22	<u>\$ 33,446</u>
TOTAL	\$197,853

Any tasks that may occur after the last monitoring event in FY 2021/22 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 First Amendment to Agreement No. 15-3362 as to form and legality.

DATE: OCTOBER 11, 2018

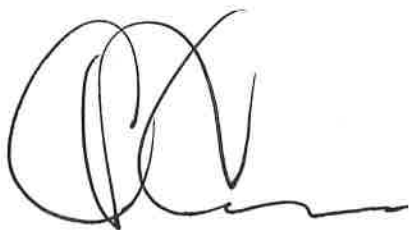
PAGE 5 OF 5

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

TRANSMITTAL:

1. First 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: MB



CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

 FOR

EUGENE D. SEROKA
Executive Director

CC/YO
AUTHOR: M. WITHROW

FILE: Y:\ADMIN\BOARD REPORTS\HAZMAT\CHEVRON AGREEMENT 2018 Amend\Environmental_Chevron_Board Report - FINAL.docx
UPDATED: 10/11/2018 11:02 AM - YO