



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

DATE: MAY 29, 2013

FROM: ENVIRONMENTAL MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ - FUNDING REQUEST TO REMEDIATE
THE FORMER SOUTHWEST MARINE SHIPYARD SITE**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) is proposing a budgetary transfer in the amount of \$5 million from the Unappropriated Balance (UB) to the Harbor Department's Operating Expense Budget, Remediation Center 0331. The transfer will recognize, in the Harbor Department's Statement of Expenses, the estimated landside cost to remediate the former Southwest Marine shipyard site (SWM Site) at Berth 240. This recognition complies with the Government Accounting Standards Board (GASB) Statement No. 49. This budgetary transfer requires the approval of the Board of Harbor Commissioners (Board) as well as the Mayor, in compliance with the Los Angeles City Charter Section 343(b).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve a \$5 million budgetary transfer from the Unappropriated Balance to Account 59960, Center 0331, Program 000 to record the remediation obligation at the former Southwest Marine shipyard site at Berth 240 in compliance with the Government Accounting Standards Board Statement No. 49;
2. Direct the Board Secretary to transmit the Resolution to the Mayor for approval pursuant to Section 343(b) of the City Charter;
3. Direct the Board Secretary to notify the City Clerk of such transfer pursuant to Section 343(b) of the City Charter at the time such transfer is made; and
4. Adopt Resolution No. _____.

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SUBJECT: FUNDING REQUEST TO REMEDIATE THE FORMER SOUTHWEST MARINE SHIPYARD SITE

DISCUSSION:

Background and Context – In November 2006, the GASB issued Statement No. 49 establishing standards for accounting and financial reporting for pollution remediation obligations by state and local governments. Under this standard, when a government knows or reasonably believes that a site is polluted, the government should determine whether one or more components of a pollution remediation obligation are recognizable as a liability on its financial statements when certain obligating events occur. In the case of the SWM Site, obligating events have occurred compelling the Harbor Department to now recognize the remediation liability. In addition to being named by a regulatory agency as a potentially responsible party, the Harbor Department has decided to remediate a portion of the site in order to relocate the Jankovich Company (Jankovich), a marine fueling facility, from Berth 74 in Ports O' Call to the SWM Site. While remediation work will commence next fiscal year, the estimated cost must be recognized now in compliance with GASB rules. In doing so, the estimated \$5 million in remediation work will be expensed this fiscal year. Since this was not budgeted, a UB transfer is necessary.

Former SWM Site – On November 5, 2008, the Department of Toxic Substances Control (DTSC) issued Remedial Action Order No. Has-RAO 08/09-056 (Order) to the Harbor Department and BAE Systems Ship Repair as Responsible Parties for the cleanup of releases of hazardous substances at the SWM Site. An assessment of the site identified multiple contaminants in the landside soils and groundwater, as well as in the adjacent harbor sediments, including various metals, polychlorinated biphenyls (PCBs), and petroleum hydrocarbons.

Before the SWM Site is developed for Jankovich's relocation, the Harbor Department must comply with DTSC's Order. At this time, the cost to remediate the entire landside area is estimated at \$5 million. This includes excavation, stockpiling of soil on site, sampling, and the transport and disposal of hazardous waste but does not include groundwater treatment. This cost estimate will be evaluated on an annual basis and may change depending upon results from surveys and sampling during the remediation, management's land use decisions, DTSC's remediation requirements for such decisions, and the City's decision whether or not to pursue cost recovery from former tenants. Although this expense is being recognized on account of Jankovich's relocation, liabilities associated with future investigations and monitoring, and remediation of other segments of the site are not being recognized due to uncertainties in quantifying them and the potential for cost recovery.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is for the approval of a budgetary transfer from the Unappropriated Balance to the Remediation Center 0331 to record the estimated remediation cost at the former SWM Site. This action is limited only to the transfer of funds. Remediation of the SWM Site was previously assessed as part of the San Pedro Waterfront Final EIS/EIR which was certified by the Board in September of 2009. Therefore, as an administrative activity for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the California Environmental Quality Act (CEQA), the Director of Environmental Management has determined that the proposed action is exempt from CEQA in accordance with Article II, Section 2(f) and 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

An appropriation of \$5 million is requested from the UB to the Operating Expense Budget to record the pollution remediation obligation for the SWM Site at Berth 240. The pollution remediation will be expensed in FY 2012/13 in Account 59960, Center 0331, Program 000, and recognized as a liability in Account 21995, Center 7000, Program 000. Remediation work will commence next fiscal year and likely reduce the liability as follows:

FY 13/14	\$2,500,000
FY 14/15	\$2,500,000

The budgetary transfer will increase the overall FY 2012/13 Adjusted Operating Expense Budget by \$5 million from \$213.9 million to \$218.9 million. The Adjusted Operating Expense Budget includes \$827,000 in budgetary transfers previously approved by the Board on February 21, 2013.

ECONOMIC BENEFITS:

Remediation associated with the proposed action will support 40 construction jobs for the five-county region.



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CITY ATTORNEY:


The proposed action raises no legal issues at this time.

FIS Approval:  (initials)
CA Approval:  (initials)



CHRISTOPHER CANNON
Director of Environmental Management



 MICHAEL R. CHRISTENSEN
Deputy Executive Director

APPROVED:



 GERALDINE KNATZ, Ph.D.
Executive Director

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BOARD MEETING: 06/06/2013

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