

DATE: JUNE 16, 2025

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - SECOND AMENDMENT TO REIMBURSEMENT AGREEMENT NO. 20-3762 WITH PHILLIPS 66 COMPANY

SUMMARY:

Staff requests approval of the proposed Second Amendment to the Phillips 66 Company (Phillips 66) Reimbursement Agreement No. 20-3762 (Agreement) to reimburse the City of Los Angeles Harbor Department (Harbor Department) 100% of staff and consultant costs associated with the preparation of an environmental assessment. The assessment relates to the construction of a new Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) compliant wharf (Project) as required by the California State Lands Commission (CSLC). The proposed Second Amendment would extend the duration of the existing Agreement by an additional two years, from five years to seven years. No other modifications are proposed. Phillips 66 Company is financially responsible for payment of expenditures incurred under the Agreement.

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 Second Amendment to the Phillips 66 Reimbursement Agreement No. 20-3762;
3. Direct the Board Secretary to transmit said Amendment to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5(a) of the Los Angeles Administrative Code;
4. Authorize the Executive Director to execute and the Board Secretary to attest to, said Amendment to the Agreement for and on behalf of the Board; and
5. Adopt Resolution No. _____.

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DISCUSSION:

Project Background/Context – MOTEMS are building standards (California Building Code, *Chapter 31F - Marine Oil Terminals*) that apply to all marine oil terminals in California. MOTEMS establish minimum engineering, inspection, and maintenance criteria for marine oil terminals to protect public health, safety and the environment, and govern the upgrade and design of terminals to ensure better resistance to earthquakes and reduce the potential of oil spills.

Under MOTEMS, the CSLC requires that modifications be made to Phillips 66's terminal to bring the wharf into MOTEMS compliance. Phillips 66 has agreed to pay all staff and consultant costs, as well as any outside legal defense costs (if necessary) associated with the preparation of the environmental assessment.

On July 23, 2020, the Board approved a three-year Agreement for Phillips 66 to provide reimbursement to the Harbor Department for 100% of staff and consultant costs associated with the preparation of an environmental assessment. On August 16, 2023, the Board approved the First Amendment to the Agreement to extend the agreement from three years to five years. The proposed Second Amendment to the Agreement which would extend the term an additional two years is necessary to allow sufficient time to complete the environmental assessment (Transmittal 1). The Agreement has a total estimated cost of \$1,453,000 to complete the environmental assessment for the Project; however, due to additional review, costs are expected to increase. Phillips 66 has been provided with updated estimated costs. Per the existing reimbursement agreement, Phillips 66 will be financially responsible for all costs associated with preparation of the environmental assessment even if the actual costs incurred are higher than the originally estimated amount. The Harbor Department's Environmental Management Division has consulting agreements in place for as-needed CEQA environmental services and selected Ramboll US Consulting Inc. as the lead consultant to perform the work in connection with the preparation of the environmental assessment.

The Harbor Department, as the CEQA lead agency, began conducting the necessary environmental assessment activities and special studies to satisfy the requirements of CEQA. Initially, the assessment was being assessed through a Mitigated Negative Declaration. Upon receipt of public comment requesting a more comprehensive analysis, the Harbor Department decided to proceed with assessment under an Environmental Impact Report (EIR). A Notice of Preparation/Initial Study of an EIR for public review and comment was released on February 23, 2023. The Draft EIR is currently being prepared.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an Amendment to an Agreement with Phillips 66, 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.

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FINANCIAL IMPACT:

Approval of the proposed Second Amendment extends the reimbursement Agreement by an additional two years, to a total of seven years. Per the Agreement terms, Phillips 66 is required to reimburse the Harbor Department for 100% of all staff and consultant costs related to the preparation of the environmental assessment for the Project.

Initial payments from the Harbor Department for consultant costs and project fees are paid out of Account 541100 (Environment Assessment Services), 42010 (Environmental Management). Funding in the amount of \$100,000 has been budgeted within this account for the Fiscal Year 2025/26. The Harbor Department bills Phillips 66 Company on an up to monthly basis as expenses are incurred and paid.

To-date, Phillips 66 has reimbursed the Harbor Department, \$903,373.82, or 62.2% out of \$1,453,000 in total estimated costs under the Agreement. It is anticipated that the remaining balance of \$549,626.18 will be reimbursed in the remaining fiscal years. Phillips 66 is responsible for any cost estimate increases that may occur during the evaluation of the Project.

Defense costs associated with the environmental review of the Project are not included in this estimate due to the uncertainty of estimating the existence or nature of potential litigation costs.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Second Amendment as to form and legality.

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TRANSMITTAL:

1. Second Amendment to Reimbursement Agreement No. 20-3762

FIS Approval: MM

CA Approval: SO



LISA WUNDER
Acting Director of Environmental Management

Michael DiBernardo

MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director

LW:NE:CS
AUTHOR: C. SANCHEZ ZELAYA

FILE: Y:_ADMIN_BOARD REPORTS_CEQA\PHILLIPS 66 REIMBURSEMENT AGREEMENT\SECOND AMENDMENT\Environmental_Phillips 66 Reimbursement Agreement
Amendment 2_ Board Report - FINAL.docx
UPDATED: 6/16/25 11:28AM - MRX