

PUBLIC WORKS AND GANG REDUCTION COMMITTEE REPORT relative to retaining an expert in petroleum and natural gas engineering or geology to provide technical advice to City departments and officials.

Recommendations for Council action, as initiated by Motion (Bonin – Koretz - Wesson – Krekorian – Huizar), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. REQUEST the City Attorney to prepare and present an ordinance amending:
 - a. Division 19, Chapter 4, of the Los Angeles Administrative Code (LAAC), and any other applicable sections of the LAAC and Los Angeles Municipal Codes, to transfer the Petroleum Administrator function and franchise duties from the City Administrative Officer (CAO) and the Los Angeles Department of Transportation (LADOT) respectively, to the Board of Public Works.
 - b. LAAC Section 5.500 to delete all references to the word oil.
 - c. LAAC Section 5.500(a)(3) to delete right-of-way.
2. RESOLVE that position authority for one Principal Project Coordinator in the Board of Public Works for the period April 1, 2016 to June 30, 2016, is APPROVED and CONFIRMED, subject to allocation by the Civil Service Commission, to perform Petroleum Administrator duties as described in the Chief Legislative Analyst (CLA) and CAO joint report to Council dated April 12, 2016; and, REQUEST the Board of Public Works to expedite the filling of this position.
3. DIRECT the CAO to identify a source of funding for the proposed Principal Project Coordinator for the remainder of Fiscal Year 2015-16.
4. REQUEST the Board of Public Works and the LADOT, with assistance from the CAO, CLA, the Department of City Planning and the Bureau of Engineering, to report within 90 days relative to the formation of a Petroleum and Natural Gas Administration and Safety Office within the Board of Public Works, including:
 - a. Positions and other resources necessary to perform the oversight of City franchise agreements, leasing issues, environmental health and safety, permitting tasks associated with petroleum matters and coordination with departments in need of petroleum/natural gas expert services.
 - b. Office structure including support positions, associated resources, potential ongoing funding sources, etc.
 - c. Processes for obtaining access to the Bureau of Engineering's pre-qualified on-call list of geotechnical and environmental engineering consultants.
 - d. Potential changes to LAAC Section 5.500, to provide more options for the use of oil pipeline funds deposited into the Council District Real Property Trust Funds,

including use for funding the Office.

5. APPROVE the template draft ordinances (Attachments 3 and 4 of the CLA-CAO joint report), allowing for up to a two-year term with one additional one-year extension not beyond June 30, 2019, for the expired and expiring pipeline franchises.
6. REQUEST the City Attorney, in coordination with the LADOT, to submit within 90 days, the required ordinances to Council for authorization to execute the ordinances and extensions for the expiring pipeline franchises.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

(Planning and Land Use Management; Rules, Elections, Intergovernmental Relations, and Neighborhoods; and, Energy and Environment Committees waived consideration of the above matter.)

SUMMARY

On April 1, 2015, Council considered Motion (Bonin – Koretz - Wesson – Krekorian – Huizar) relative to this matter. Motion states there are thousands of active oil wells, and on-going oil and gas production in the City. Consequently, Council often considers legislation in which technical expertise relating to oil and gas production issues would be beneficial. Motion instructs the CLA to hire or retain a credible expert in petroleum and natural gas engineering or geology who can provide technical advice to Council and City departments and when Council considers legislation relating to oil and gas production or conveyance in Los Angeles. Council referred Motion to the Planning and Land Use Management; the Rules, Elections, Intergovernmental Relations, and Neighborhoods; and, the Energy and Environment Committees for consideration. Subsequently, Motion was also referred to the Public Works and Gang Reduction Committee.

In their joint report to Council dated April 12, 2016, the CLA and CAO discuss proposals for obtaining petroleum and natural gas expert services. The CLA and CAO recommend that the provision of this technical expertise and other pipeline and related administrative and geological functions already performed by City Departments be consolidated under a new office headed by a full-time Petroleum Administrator employed by the City to be housed in the Board of Public Works. The CLA and CAO report that the Department of Public Works performs enforcement, operations, and maintenance activities subject to state and federal environmental regulations, and as such has existing resources that would complement the expanded role/duties of the Petroleum Administrator.

According to the CLA and CAO, if this proposal is approved by Council, the Board would hire a Principal Project Coordinator to perform expanded duties of the Petroleum Administrator. The Board would also report to Council with recommendations for the resources needed to establish the Petroleum and Natural Gas Administration and Safety Office. At a minimum, the Office would consist of the Principal Project Coordinator and employees necessary to negotiate and manage enhanced franchise agreements. Management of the franchise agreements and the current positions assigned to this function would be transferred from LADOT to the Board. Where

additional expertise is required, support would be provided through BOE's pre-qualified on-call list of geotechnical and environmental engineering consultants.

The Petroleum Administrator would be tasked with performing duties defined in current and amended LAAC sections Division 19, Chapter 4, which would include, among other things, examining and reporting on matters related to the exploration for and production of petroleum within the City, administering and determining compliance with all provisions of oil and gas leases, and performing any other duties respecting petroleum requested by Council. The Petroleum Administrator would also be expected to perform other duties, including developing and fostering relationships with County, State, and Federal regulators.

At its meeting held May 23, 2016, the Public Works and Gang Reduction Committee discussed this matter with representatives of the Mayor's Office, the CAO, the CLA, and LADOT. The CLA's representative discussed the joint report and the recommendations for employing a full-time Petroleum Administrator and establishing a Petroleum and Natural Gas Administration and Safety Office. It was stated that housing this function in the Board of Public Works would provide the initial incubation period the office needs to fully develop its mission, and create a broader oversight necessary to administer functions currently performed by several City departments and bureaus.

Staff went on to discuss the City's existing procedures for franchise pipeline agreements. Due to LADOT staff reductions, the terms of many franchise agreements have expired or are near expiration. Over \$17 million is paid to the City each year in franchise fees. According to the CLA, two years are needed to renegotiate and evaluate all of the City's franchise pipeline agreements.

As indicated in their joint report, the CLA and CAO recommend approval of a new Petroleum Administrator and establishing a Petroleum and Natural Gas Administration and Safety Office. It is also recommended that Council instruct City staff to report in greater detail on the duties and implementation of the new office and to determine related staff and resource needs.

Public Works and Gang Reduction Committee members discussed the allocation and uses of pipeline fee revenue. Modifying allocation percentages to increase the amount of fee revenue for Council Districts will require an ordinance amending the LAAC. During the public comment period, support for the CLA-CAO report recommendations was expressed. Speakers stated that the report does not fully take into account the history behind the creation of the City's petroleum administrative functions as contained in the LAAC, and that the new Petroleum Administrator should possess a background in public health to protect the welfare of residents living near oil wells.

Committee recommended that Council approve the recommendations of the CLA and CAO to approve a new Petroleum Administrator and to establish a Petroleum and Natural Gas Administration and Safety Office, as amended to instruct the CAO to identify funding for the current fiscal year, and to include the Department of City Planning in the recommended report. Committee further recommended that Council request the City Attorney to prepare an ordinance to amend the LAAC as indicated above relative to the allocation of pipeline franchise agreement fee revenue.

Respectfully Submitted,

PUBLIC WORKS AND GANG REDUCTION COMMITTEE



MEMBER VOTE

BUSCAINO: YES

MARTINEZ: YES

PRICE: YES

O'FARRELL: YES

RYU: YES

jaw

-NOT OFFICIAL UNTIL COUNCIL ACTS-