

0220-05598-0001

**TRANSMITTAL**

TO  
Eugene D. Seroka, Executive Director  
Harbor Department

DATE  
OCT 29 2019

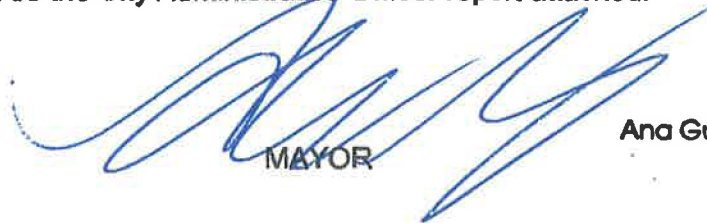
COUNCIL FILE NO.  
19-0456

FROM  
The Mayor

COUNCIL DISTRICT  
15

**PARENT GUARANTIES FOR PERMIT NO. 936 WITH PBF ENERGY WESTERN REGION LLC**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.



MAYOR

Ana Guerrero

RHL:JCY:102000421

**REPORT FROM**

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: October 28, 2019

CAO File No. 0220-05598-0001  
Council File No. 19-0456  
Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Correspondence from the Harbor Department dated September 4, 2019 – Board of Harbor Commissioners Resolution No. 19-9517

Subject: **PARENT GUARANTIES FOR PERMIT NO. 936 WITH PBF ENERGY WESTERN REGION LLC**

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**RECOMMENDATION**

That the Mayor:

1. Approve Harbor Department Resolution No. 19-9517 to authorize parent guaranties from PBF Energy Inc., PBF Energy Company LLC, and PBF Holding Company LLC, for City of Los Angeles Permit No. 936 with PBF Energy Western Region LLC; and,
2. Return the document to the Harbor Department for further processing, including Council consideration.

**SUMMARY**

In accordance with Executive Directive No. 4, Charter Section 606 and Administrative Code Section 10.5 (c), the Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 19-9517 (Resolution) authorizing parent guaranties from PBF Energy Inc., PBF Energy Company LLC, and PBF Holding Company LLC (Guarantors) for City of Los Angeles Permit No. 936 (Permit) with PBF Energy Western Region LLC (PBF). These guaranties each obligate PBF's named parent entities to full and timely payment and performance requirements, including debts, obligations, and liability, under the Permit. Should PBF default on its obligations under the Permit, the Guarantors agree to pay or perform on demand such obligations.

Approval of these parent guaranties will help ensure PBF can meet its obligations under the Permit, including land, wharf and tank rent starting at approximately \$8.8 million per year, compliance with California Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) requirements estimated at a minimum of \$12.25 million, and wharf restoration and remediation requirements.

## **BACKGROUND**

The City Council approved Permit No. 936 with PBF (C.F. 19-0456; Harbor Department Resolution No. 19-8450) on May 29, 2019. The Permit grants PBF a 30-year lease, effective July 1, 2019, and authority to use 40.04 acres of land and water at Berths 238 and 239 (Berths) in the Port of Los Angeles (POLA) to construct, operate and maintain a marine oil terminal, subsurface pipelines, and storage tanks. PBF is responsible for paying annual land, wharf, and tank rent starting at approximately \$8.8 million per year, subject to annual adjustments based on the Consumer Price Index and additional adjustments pursuant to City Charter Section 607.

The Port states that the long-term lease for the Permit is needed to allow the Port and its tenant to amortize large investments, such as building MOTEMS-compliant facilities. MOTEMS operates under the California State Lands Commission, establishing and regulating minimum engineering, inspection, oversight, maintenance and upgrade criteria for marine oil terminals and oil spill cleanup to protect public health, safety and the environment. The Port states that the Berths occupied by PBF have experienced extensive deterioration and have been classified as unfit and in need of service by a MOTEMS audit.

The Permit requires PBF to be responsible for meeting MOTEMS requirements, which includes construction of a new loading platform and mooring system for one berth at an estimated cost of \$19.75 million. The Port will contribute a maximum of \$7.5 million and PBF will be responsible for the remaining \$12.25 million plus the cost of any additional project elements. Additionally, Section 117 of the Permit requires PBF to restore and remediate the Berth and leased facilities to be free of aggregate contamination and leave the facilities in a "reasonably clean level and usable condition" upon termination of the lease or vacation of the property. Port staff has determined that the proposed parent guaranties will adequately secure PBF's obligations for this potentially financially significant undertaking. PBF is a subsidiary of PBF Holding Company LLC, which is a subsidiary of PBF Energy Company LLC, which operates as a subsidiary of PBF Energy Inc. PBF Energy Inc. is one of the largest independent petroleum refiners and suppliers of unbranded transportation fuels, heating oil, and other petroleum products in the United States. The Port reports that staff reviewed publicly available financial statements of PBF Energy Inc. as of December 31, 2018 and the prior four years dating back to December 31, 2014, and it appears that PBF Energy Inc. has sufficient profitability and liquidity to fulfill its obligations under the proposed guaranties.

The Permit supersedes City of Los Angeles Permit No. 914, previously issued to ExxonMobil Oil Corporation in 2016 for use of the Berths and assigned to PBF when PBF completed purchase of the oil terminal facilities from ExxonMobil in 2016. Permit No. 914 had a term of five years ending June 1, 2021, intended as a short-term permit to allow the Port and PBF time to enter into a long-term permit under which restoration and remediation of the wharf, including MOTEMS investments, could be made and financed over a longer period of time. Permit No. 914 Section 113.9 required PBF to provide the Port a performance bond of \$50 million in 2020 in order to secure funding to restore the premises in case PBF was not willing to enter into a long-term permit. Execution of the new Permit and approval of the proposed Resolution and parent guaranties will adequately secure PBF's restoration obligation and will allow Permit No. 914 to expire without the need for PBF to

secure the \$50 million performance bond. The Port reports that ExxonMobil is still responsible for a Cleanup and Abatement Order (No. 99-003) from the Regional Water Quality Control Board for the marine terminal (Area I) portion of the site.

The proposed parent guaranties are in compliance with City requirements and have been approved by the City Attorney as to form. Port staff has determined that approval of the parent guaranties is an administrative action, with the project previously evaluated pursuant to the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(i) of the Los Angeles City CEQA Guidelines (Guidelines), and is therefore exempt from CEQA requirements in accordance with Article II, Section 2(f) of the Guidelines.

### **FISCAL IMPACT STATEMENT**

Approval of the proposed parent guaranties between the Harbor Department (Port) Board of Harbor Commissioners and PBF Energy Inc., PBF Energy Company LLC, and PBF Holding Company LLC for City of Los Angeles Permit No. 936 (Permit) with PBF Energy Western Region LLC (PBF) will ensure additional guarantees for PBF to meet its obligations under the Permit, including annual rent starting at approximately \$8.8 million, and compliance with California Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) requirements estimated at a minimum of \$12.25 million. The Port will invest up to \$7.5 million. The approved compensation rate under the Permit meets the Port's rate of return for land and improvements. There is no impact on the City General Fund and no additional impact on the Harbor Revenue Fund. The proposed parent guaranties comply with the Port's Financial Policies.

*RHL:JCY:10200042*