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RECOMMENDATION APPROVED AND
RESOLUTION NO. 19-9517 ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS

AUGUST 22, 2019


AMBER M. KLESGES
Board Secretary



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

DATE: AUGUST 6, 2019

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. 19-9517 - APPROVE PARENT
GUARANTIES PROVIDED BY PBF ENERGY, INC.; PBF ENERGY
COMPANY, LLC; AND PBF HOLDING COMPANY, LLC FOR PERMIT
NO. 936 WITH PBF ENERGY WESTERN REGION LLC

SUMMARY:

Staff requests approval of the proposed parent guaranties provided by PBF Energy, Inc.; PBF Energy Company, LLC; and PBF Holding Company, LLC for Permit No. 936 with PBF Energy Western Region LLC (PBF). Permit No. 936 has a term of 30 years effective July 1, 2019, which grants PBF the right to use City of Los Angeles Harbor Department (Harbor Department) premises consisting of 40.04 acres at Berths 238-239 for the construction, operation, and maintenance of a marine oil terminal, subsurface pipelines, and storage tanks.

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 parent guaranties provided by PBF Energy, Inc.; PBF Energy Company, LLC; and PBF Holding Company, LLC;
3. Direct the Board Secretary to transmit the parent guaranties to City Council for approval pursuant to Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the parent guaranties upon approval by City Council; and
5. Adopt Resolution No. 19-9517.

DISCUSSION:

Background: PBF currently operates a marine oil terminal and crude oil storage terminal under Permit No. 936 in the Port of Los Angeles on Terminal Island (Transmittal 1). PBF purchased these oil terminal facilities in 2016 from ExxonMobil and assumed Permit No. 914 at that time.

SUBJECT: PARENT GUARANTIES - PBF ENERGY WESTERN REGION LLC

PBF Energy is one of the largest independent petroleum refiners and suppliers of unbranded transportation fuels, heating oil, petrochemical feedstocks, lubricants and other petroleum products in the United States. PBF Energy's refineries are located in California, Delaware, Louisiana, New Jersey and Ohio. Recently, PBF Energy announced that its subsidiary has signed a definitive agreement to purchase from Shell Oil Products, the Martinez refinery, and related logistics assets in a one billion dollar transaction.

PBF Performance Bond and Parent Guaranties. Previous Permit No. 914 required PBF to provide the Harbor Department a performance bond of \$50,000,000 in 2020 as part of its restoration obligations. The performance bond was required to secure funding to restore the premises if PBF did not enter into a long-term permit with the Harbor Department. Now that a new long-term permit (Permit 936) has been signed, the restoration requirement will not be required until the 30-year permit expires in 2049. Therefore, staff has determined that the proposed PBF guarantees will adequately secure PBF's restoration obligation and no performance bond would be required.

PBF has furnished three separate written guaranties (Transmittals 2-4), which have been executed by PBF Energy, Inc.; PBF Energy Company, LLC; and PBF Holding Company LLC¹, in which such entities, and each of them, absolutely, irrevocably and unconditionally guarantee, and become surety for, the full and timely payment and performance of the debts, obligations and liabilities of PBF under Permit No. 936.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the proposed parent guaranties provided by PBF Energy, Inc.; PBF Energy Company, LLC; and PBF Holding Company, LLC for Permit No. 936 with PBF Energy Western Region LLC, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed parent guaranties is not anticipated to have a financial impact on the Harbor Department, so long as PBF fulfills its tenant obligations under Permit No. 936. Staff has reviewed the publicly available financial statements of PBF's ultimate parent, PBF Energy, Inc., as of December 31, 2018 and the prior four years dating back to December 31, 2014. Based upon staff's review, PBF Energy, Inc.'s leverage (as measured by debt-to-total capitalization) has declined since 2014, and PBF Energy, Inc. appears to have sufficient profitability and liquidity to fulfill its obligations under the proposed guaranty.

¹ 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.

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CITY ATTORNEY:

The proposed parent guaranties have been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Guaranty – PBF Energy, Inc.
3. Guaranty – PBF Energy Company, LLC
4. Guaranty – PBF Holding Company, LLC

FIS Approval: MB
CA Approval: JH

Ed Robles FOR

MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Mark Bleavin FOR

EUGENE D. SEROKA
Executive Director

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