

IMPARTIAL ANALYSIS PREPARED BY THE CITY ATTORNEY

Measure O proposes adoption of an ordinance that would grant City approval to E&B Natural Resources Management Corporation's oil and gas drilling and production project at the City's maintenance yard at 555 Sixth Street.

E&B proposes a four-phase directional drilling project over the course of 34 years consisting of 30 production wells, 4 water injection wells and appurtenant equipment on the 1.3 acre maintenance yard. The maintenance yard would be relocated to City-owned property adjacent to City Hall.

Under current law, oil drilling is prohibited in Hermosa Beach. Only the voters may change the law to allow any oil and gas drilling and production. Permits from state agencies are also required for E&B's project.

The ordinance proposes five actions constituting City approval of E&B's project:

1) Amend the Coastal Land Use Plan (part of the Hermosa Beach General Plan) to change the project site's land use designation and adopt energy policies consistent with E&B's Project;

2) Amend the Municipal Code to exempt E&B's project from the citywide ban on oil drilling, allow a 35-foot high perimeter wall and repeal the requirement that the City's share of project royalties be used only for open space acquisition;

3) Approve a development agreement with E&B that confers to E&B a vested right to proceed with its project in exchange for financial benefits to be provided by E&B and imposes conditions of approval and required mitigation measures for the project;

4) Approve a pipeline franchise allowing E&B to construct and operate subterranean pipes for transmission of oil and gas under Valley Drive from the project site southerly into Redondo Beach; and

5) Adopt a statement that the project's potential financial benefits outweigh its identified unavoidable environmental impacts.

A City consultant prepared an environmental impact report for the project that includes a detailed project description and identifies the project's significant unavoidable impacts after mitigation. City consultants also prepared a Cost/Benefit Analysis and a Health Impact Assessment. All three reports are available for review at hermosabch.org.

If the measure passes and E&B proceeds with its project, the City is entitled to receive royalties (a portion of which would be restricted to activities/improvements benefitting tidelands) and certain other financial benefits listed in Exhibit C to the development



agreement; the Hermosa Beach School District and Education Foundation would also be entitled to certain financial benefits. Under the terms of a lawsuit settlement over the 1992 Lease of the maintenance yard between the City and Macpherson Oil Company, if City or state approvals are not obtained, the City will be obligated to pay E&B \$17.5 million.

A summary of the project's nine unavoidable environmental impacts and ten financial benefits can be found in Section 12 of the proposed ordinance.

This measure was placed on the ballot by the City Council as required for consideration of E&B's project application.

A "yes" vote favors adopting the ordinance that approves E&B's project.

A "no" vote opposes adopting the ordinance.

A majority of "yes" votes is required for the measure to pass.

Michael Jenkins
City Attorney

The above statement is an impartial analysis of Measure O. A copy of the proposed ordinance is printed in this ballot pamphlet; a full copy of all the attachments to the proposed ordinance, the Final Environmental Impact Report, the Cost Benefit Analysis and the Health Impact Assessment are available for review at hermosabch.org and in the City Clerk's office. If you desire a copy of the full text of the ordinance and all its attachments, please call or email the City Clerk's office at (310) 318-0203 or edoerfling@hermosabch.org and a copy will be mailed at no cost to you.