

Vote

City of Hermosa Beach

SAMPLE BALLOT

and Voter Information Pamphlet

SPECIAL MUNICIPAL ELECTION
TUESDAY, MARCH 3, 2015

MARK AND SAVE THIS SAMPLE BALLOT
For use at your Polling Place or for voting your "VOTE BY MAIL" Ballot

POLLS OPEN at 7:00 A.M.
AND CLOSE at 8:00 P.M.

The location of your
POLLING PLACE
is shown on the back cover

CAUTION: Your polling place may have changed from a previous election

To learn more about the
"Best Little Beach City,"
visit the City's website at:
www.hermosabch.org

NOTE: "VOTE BY MAIL"
Ballot Application on
Back Cover

Mark your calendar.

Don't forget to vote on **March 3, 2015**

February, 2015

<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
15	16 President's Day	17 Last day to register to vote for this election	18	19	20	21
22	23	24 Last day to request a Vote by Mail ballot	25	26	27	28

Vote by Mail ballots may be dropped off at a polling place or to the elections official by the close of the polls on election day. Pursuant to Election Code Section 3020, Vote by Mail ballots received via United States Postal Service or a bona fide private mail delivery company must be postmarked or date/time stamped by March 3, 2015, and received by the elections official no later than 3 days after the election (March 6, 2015).

March, 2015

<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
1	2	3 ELECTION DAY	4	5	6	7

WARNING !!! Your POLLING PLACE for this election may be different from the polling place you went to for the last election. Please check the back page of this pamphlet for the correct location.

I HAVE VOTED – HAVE YOU?
OFFICIAL BALLOT
CITY OF HERMOSA BEACH
SPECIAL MUNICIPAL ELECTION
TUESDAY, MARCH 3, 2015

THIS BALLOT STUB SHALL BE REMOVED AND RETAINED BY THE VOTER

Mark your choice by
FILLING IN OVAL ● COMPLETELY
 with a **BLACK OR DARK PEN ONLY.**



No. 12345

INSTRUCTIONS TO VOTERS

To vote on Measure O, completely fill in the oval ● in the area to the right of the arrow pointing from the word "YES" or from the word "NO" with a BLACK or DARK PEN ONLY.

If you wrongly mark, tear or deface the ballot card, return it to the precinct board member and obtain another.

HERMOSA BEACH

MEASURE SUBMITTED TO THE VOTERS

<p>O Shall E&B Corporation's 34-well oil and gas drilling/production project at the City's 555 Sixth Street maintenance yard be approved by 1) amending the General Plan and Municipal Code to exempt the project from the City's oil drilling ban and repeal the restriction on City's use of project royalties, 2) awarding a pipeline franchise to transport oil/gas underground, 3) approving a 34-year development agreement, and 4) determining that project financial benefits outweigh its unavoidable environmental impacts?</p>	YES	→ ○
	NO	→ ○

END OF BALLOT

VOTER INFORMATION PAMPHLET

The following pages contain:

BALLOT MEASURES, ANALYSES, ARGUMENTS AND REBUTTALS

ANALYSES: The Impartial Analysis is an impartial summary of the results of the proposed measure or proposition.

ARGUMENTS: Arguments and/or rebuttal arguments in support of or in opposition to the proposed laws are the opinions of the authors and have not been checked for accuracy by any official agency.

City of Hermosa Beach Voter Information

For online viewing of your sample ballot and all measure-related documents, or to find your polling place, go to:

www.hermosabch.org and click on ELECTION - MARCH 3, 2015



Los Angeles County General Voter Information

To verify your voter registration status, go to:

<http://www.lavote.net>

IMPARTIAL ANALYSIS OF MEASURE O

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.

s/ 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.

ARGUMENT IN FAVOR OF MEASURE O

Your decision on Measure O should be based on reason and facts, NOT rumors and opinions.

Undisputed facts:

The City's own independent Health Impact Analysis concluded that Measure O has no significant health impacts on our community.

Our schools could receive tens of millions of dollars for everything from art and music classes to more teachers and facilities.

Every economic study concluded that Hermosa Beach could get hundreds of millions of dollars of new revenue; revenue which could be used to hire more firefighters and police, clean our beaches, upgrade our sewers, fix potholes, create new parking, and more.

The independent EIR states that many of the impacts are short term; seeing a covered drilling rig or slightly increased truck traffic are temporary occurrences. There are also more safety measures than required by law.

E&B saved our City from bankruptcy by funding Hermosa Beach's \$17,500,000.00 payment to settle the Macpherson lawsuit. If Measure O fails, we must repay that loan, with interest. That could mean our inability to replace the firefighters who were laid off or to increase salaries for our existing first responders unless we substantially raise our taxes. What happens when they leave for cities that can pay them fairly?

Newport Beach, Huntington Beach, Beverly Hills and other upscale communities have oil recovery facilities at the beach, in the middle of residential neighborhoods and even on a high school campus. Property values have continued to rise, and there have been no documented health problems. More than 3,500,000 Los Angeles County residents live within 1 mile of an oil well.

There will be **no fracking; no offshore drilling platforms; no grasshoppers; and no permanent equipment visible above the walls at the currently contaminated City maintenance yard.** These are the facts from Hermosa Beach's own studies.

Vote Yes on Measure O to balance our environmental and economic future.

www.YesonO-Hermosa.com

Thank You.

s/ KATHLEEN P. HARREN, Registered Nurse MSN,
MHA, NEA-BC

s/ KARL KURZ, Mira Costa Science Teacher, Parent

s/ DAN INSKEEP, Environmentalist/Parent/
22-year Resident

s/ TIFFANY M. RUDEK, Former Hermosa Valley
Principal/Parent

s/ CINDY LEE SMET, Hermosa Beach Education
Foundation Board Member/Parent

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE O

The oil company (E&B) continues to downplay the well-documented health, safety and environmental risks of drilling in Hermosa Beach, while making exaggerated claims of money for the city and schools.

E&B says Hermosa Beach will get millions for city services. They don't tell you that **state law prohibits the city from using nearly 75% of net revenues** for police, fire, undergrounding utilities, street repairs or increases in salaries and benefits.

They also say millions will go to our schools, but there's no guarantee the schools will receive anything more than mineral rights and 20 cents per barrel of oil, **less than 1%** of our school's annual budget. Everything else is speculation based on E&B's estimates and assumptions, which they cannot guarantee.

E&B favorably cites oil drilling in other cities; yet, they ignore oil spills, unhealthy odors and a collapsing rig in nearby Huntington Beach and the fact that Beverly Hills banned oil drilling in 2011 due to health concerns. They also fail to mention that **property values** in Hermosa Beach **could drop by tens of millions of dollars** if oil drilling is approved.

Hermosa Beach is financially sound. We can afford to reject E&B's bad deal and continue to fully fund city services without raising taxes.

Any conceivable financial benefit to the city or its schools can be wiped out by just one blowout, oil spill, fire or explosion.

Let's not gamble with our future. Vote NO on Measure O.

StopHermosaBeachOil.com/BadDeal

s/ PETER C. TUCKER, Hermosa Beach Mayor

s/ NANETTE B. BARRAGAN,
Hermosa Beach Mayor pro tem

s/ HANY S. FANGARY,
Hermosa Beach City Councilmember

s/ MONIQUE EHSAN, Realtor,
former Chairperson of H.B. School District
Facilities Planning Advisory Committee

s/ DEAN NOTA, Architect FAIA, Local Businessman

ARGUMENT AGAINST MEASURE O

Vote NO on O to keep oil drilling out of Hermosa Beach.

Vote NO on O to preserve our health, safety and quality of life.

Oil drilling will be unsafe, unhealthy, and a bad deal for Hermosa Beach. If permitted, it could mean years of construction and operation of **30 oil and gas wells**, 4 injection wells, large storage tanks, and miles of dangerous underground pipelines that will threaten our quality of life and our health.

The project will involve a drilling rig nearly nine stories high and thousands of miles of air-polluting heavy-truck traffic through neighborhood streets, along the Green Belt and the city-recommended safe route to school. For 30 years, the project will regularly employ a **110-foot-tall** workover rig in operations that will bring unhealthy odors, flares, noise and light pollution, and the ever-present risks of gas, oil, and chemical spills, fires, and explosions.

The official Environmental Impact Report identifies nine "significant unavoidable impacts" including **increased air pollution** that will exceed air quality thresholds. The air pollutants and dozens of toxic chemicals used during the project's construction and operation have been linked to increased **heart attacks, asthma, and cancer**. These health impacts will fall heaviest on children and the elderly.

We cannot trust this oil company to protect us. They have a history of **oil spills** and have recently been fined for illegally dumping contaminated wastewater. They currently face a lawsuit that claims they polluted groundwater causing crops to fail.

A major accident, such as the uncontrolled release of crude oil or natural gas, called a blowout, could result in **loss of life**, extensive property damage, evacuations, **long-term health impacts**, and degradation of our beach environment.

We cannot afford to take these risks

For more information, call (310) 957-9171 or visit www.StopHermosaBeachOil.com.

- s/ GREG SAVELLI, Former Hermosa Beach Police Chief
- s/ STACEY ARMATO, Attorney, Chairperson of Stop Oil Committee Against Measure O
- s/ MARY K. CAMPBELL, Ph.D., Assistant Vice President of Talent and Organizational Effectiveness, USC
- s/ LISA SANTORA, M.D., M.P.H., Public Health Executive
- s/ GEORGE SCHMELTZER, Former Hermosa Beach Mayor

REBUTTAL TO ARGUMENT AGAINST MEASURE O

Measure O opponents use myths and deceptive language instead of scientific facts because they know that the facts clearly show this onshore project to be safe and clean.

FACT: The City's **independent Health Impact Assessment, written by unbiased scientists and doctors**, found this project will have **no substantial effect on the health of our community**.

FACT: Oil wells have existed for decades next to Cedars Sinai Hospital, in the middle of residential neighborhoods in Newport Beach, Huntington Beach and on the Beverly Hills High School campus. In fact, property values in these areas have continued to rise.

FACT: The Environmental Impact Report states that this project will have more safeguards and protections than required by Federal and State law.

FACT: Safe, onshore, underground directional drilling means no offshore platforms and no activity in or near the ocean.

FACT: The EIR states that the chance of any oil escaping the site and reaching the ocean is a once in 6,421,148 year event.

FACT: The EIR concludes that the project does not create health risks from air pollutants.

Hundreds of oil wells operate in residential neighborhoods throughout Southern California that are denser or are closer to the ocean than this project. And most cities don't benefit from over \$500 million in new revenue that Hermosa Beach could receive from the project.

When you Vote Yes on Measure O, you are voting to follow through on the deal that saved our City from bankruptcy.

Join us in voting Yes on Measure O.

- s/ JAN FLEMING, Community Activist
- s/ GREGORY E. BREEN, Former School Board Member
- s/ RAY DUSSAULT, Event Manager/Business Consultant
- s/ BARBARA S. HARDESTY, Retired Educator/
26-year Resident
- s/ JOHN BOWLER, Retired Mayor and Councilmember

PROPOSED ORDINANCE OF MEASURE O

AN ORDINANCE OF THE CITY OF HERMOSA BEACH, CALIFORNIA, AMENDING THE HERMOSA BEACH COASTAL LAND USE PLAN (PART OF THE CITY'S GENERAL PLAN) AND MUNICIPAL CODE TO ALLOW AN OIL AND GAS DRILLING AND PRODUCTION PROJECT AT 555 SIXTH STREET (CITY MAINTENANCE YARD) AND REPEALING A RESTRICTION ON THE USE OF PROJECT ROYALTIES, AMENDING THE OIL PRODUCTION CODE, AWARDING A PIPELINE FRANCHISE FOR OIL AND GAS, AND APPROVING A DEVELOPMENT AGREEMENT WITH E&B NATURAL RESOURCES MANAGEMENT CORPORATION AND MAKING CEQA FINDINGS

The People of the City of Hermosa Beach hereby ordain as follows:

SECTION 1. The People of the City of Hermosa Beach do hereby find as follows:

A. The purpose of this Ordinance is to modify City law in order to allow an oil and gas drilling and production project with 30 production wells, 4 water injection wells, liquid and gas separating equipment, and a gas processing unit ("Project") to be developed by E&B Natural Resources Management Corporation ("E&B") on City-owned land located at 555 Sixth Street (the City maintenance yard) in accordance with Oil and Gas Lease No. 2 (the "lease") entered into in January, 1992 between the City and Macpherson Oil Company ("Macpherson"), E&B's predecessor-in-interest.

B. This Ordinance proposes to: 1) amend the Hermosa Beach Coastal Land Use Plan (part of the City's General Plan) to change the land use designation for the City Maintenance Yard and to adopt energy policies consistent with E&B's Project; 2) amend various provisions of the City's Municipal Code to allow E&B's Project to proceed, but continue to prohibit oil drilling elsewhere in the City, and to remove the restriction on the City's use of Project royalties; 3) approve a Development Agreement between the City and E&B in order to provide E&B with a statutory vested right to proceed with its Project and to set forth all conditions of approval and mitigation measures that will govern the Project; 4) approve an oil pipeline franchise allowing E&B to construct and operate subterranean pipes for the transmission of oil and gas from the drill site to a location outside the City; and 5) adopt a legally-required statement that the Project is the most desirable, feasible alternative and that its benefits outweigh its significant unavoidable impacts.

SECTION 2. The matrix set forth in Section 17.28.020 of Title 17, Chapter 17.28 of the Hermosa Beach Municipal Code is amended by adding the following new category in alphabetical order:

Oil and gas production and processing	P	17.42.140
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SECTION 3. Section 17.28.030(D) of Title 17, Chapter 17.28 of the Hermosa Beach Municipal Code is amended to read as follows:

D. Building Height. Any building may have a maximum of thirty-five (35) feet in height and have a maximum of two stories. Oil and gas operations may exceed this height for a temporary period of time to a height as set forth in an approved Development Agreement.

SECTION 4. A new section 17.42.140 is added to Title 17, Chapter 17.42 of the Hermosa Beach Municipal Code to read as follows:

17.42.140 Oil and Gas Production and Processing.

Oil production and processing is permitted on City-owned property located at 555 Sixth Street in the M-1 Zone subject to approval of a Development Agreement. No precise development plan is required.

SECTION 5. Section 5.56.010 of Title 5, Chapter 5.56 of the Hermosa Beach Municipal Code is amended to read as follows:

5.56.010 Oil Drilling.

Except as provided in Sections 17.28.020 and 17.42.140, the drilling, boring or otherwise sinking of an oil or gas well, or oil or gas wells, or the maintenance, pumping or operation of any oil well or oil wells or gas well or gas wells

in the City is declared to be a nuisance and is declared to be unlawful. Except as provided in Sections 17.28.020 and 17.42.140, it is unlawful for any person to drill, bore or otherwise sink or maintain, pump or operate or cause to be drilled, bored or otherwise sunk, or maintained, pumped or operated, or to aid in the drilling, boring or otherwise sinking, or maintaining, pumping or operating of any gas or oil well or wells for the purpose of procuring oil, gas or other hydrocarbon substances within any portion of the City. Except as provided in Sections 17.28.020 and 17.42.140, it is unlawful for any person to commence the construction or to construct or maintain any derrick, or any oil well apparatus in the City for the purpose of drilling for or maintaining any oil or gas well in the City.

SECTION 6. Section 5.56.020 of Title 5, Chapter 5.56 of the Hermosa Beach Municipal Code is hereby repealed.

SECTION 7. The Hermosa Beach Coastal Land Use Plan, part of the City's General Plan, is amended to add a new chapter entitled Coastal Industrial (Oil and Gas) Development as set forth in Attachment A to this ordinance and incorporated herein by reference. In the event that the Coastal Commission proposes modifications to the amendment, such modifications will be incorporated into the Hermosa Beach Coastal Land Use Plan without a further vote of the electorate provided they are consistent with the Lease and the Settlement Agreement entered into by and between the City, Macpherson, and E&B dated March 2, 2012.

SECTION 8. Title 21 Oil Production Code of the Hermosa Beach Municipal Code is amended as follows:

A. Sec. 21A-1.20 Definition of "Grade" is amended to read as follows:

"Grade" (adjacent ground elevation) means the lowest point of elevation of the finished surface level of the ground, paving or sidewalk, excluding excavations for well cellars and storage tanks within the enclosed area of the privacy wall and for the privacy wall described in Section 21A-2.9(C). For the purpose of determining the height of privacy walls and other structures for oil projects, this definition supersedes the definition of grade in Chapter 17.04 and Section 17.46.130 of Title 17 of the Municipal Code.

B. Sec. 21A-2.10(E) Process Operations is amended to read as follows:

E. Process Operations. No process operations shall be permitted at any well site excluding oil and gas processing and treatment activities involving the chemical separation of oil and gas constituents and the removal of impurities. Processing activities would include oil stripping; hydrogen sulfide and carbon dioxide removal systems; depropanizers, debutinizers, or other types of fractionation; sulfur recovery; wastewater treatment; and separation and dehydration of oil/gas/water.

SECTION 9. The Hermosa Beach Coastal Land Use Plan - Land Use Map (Appendix J), part of the City's General Plan, is amended to modify the designation for the project site at 555 6th Street in Hermosa Beach from Open Space to Industrial (IND), as set forth in Attachment B to this Ordinance. In the event that the Coastal Commission proposes modifications to the amendment, such modifications will be incorporated into the Coastal Land Use Plan without further vote of the electorate provided they are consistent with the Lease and Settlement Agreement entered into by and between the City, Macpherson, and E&B dated March 2, 2012.

SECTION 10. An oil and gas pipeline franchise is hereby granted to E&B Natural Resources Management Corporation for placement of pipelines to serve its oil production facility at 555 6th Street as set forth and described in the Project Description contained in Exhibit B to the Development Agreement. The location of the pipelines approved by this franchise shall be as described in the map attached hereto as Attachment C to this ordinance and incorporated herein by reference (limited to the portion of the pipeline shown within the territorial boundaries of the City of Hermosa Beach), specifically for the placement of oil and gas pipelines constructed underground in the right of way of Southbound Valley Drive to the City of Hermosa Beach border with Redondo Beach at Herondo Street. Construction of the pipeline authorized by this franchise shall be preceded by approval by the City, which approval shall not be unreasonably denied, of a ministerial encroachment permit setting forth appropriate conditions as required by the Municipal Code and implementing the mitigation measures set forth in the Final Environmental Impact Report ("EIR") and conditions incorporated in the Development Agreement. The term of this franchise shall be co-terminus with the term of the lease.

Beginning at such time as the oil and gas pipelines are installed and become operational (i.e. are transporting oil and/or gas) and as consideration for the franchise, E&B Natural Resources Management Corporation shall pay to the City of Hermosa Beach an annual franchise fee. The annual fee shall be due until such time as the pipelines are abandoned in accordance with the Development Agreement and no longer operational.

The base annual fee shall be paid within 30 days after the end of each calendar year including the year that one or both pipelines become operational and a penalty at the rate of two percent (2%) per month or fraction thereof beyond the payment date shall be charged, but in no event shall said penalty exceed fifty percent (50%). The City may also withhold permits or any pending authorization to proceed with phases of the project if any payment is delinquent. All such payments shall be made payable to the City, and shall be supported by the Grantee's verified statement concerning the computation thereof.

The payments due to the City shall be computed as follows:

The length of the pipe expressed in feet located within the City's territorial boundaries, rounded to the nearest foot shall be multiplied by the applicable base rate, as adjusted below, in accordance with the following schedule:

Pipelines with an Internal Diameter of:	Base Rate Per Lineal Foot:
0-4 inches	.590
4-6 inches	.895
6-8 inches	1.197

The applicable base rate shall be adjusted annually by any increase in the CPI for the preceding 12 months. The term "CPI" as used herein shall mean the Consumer Price Index All Urban Consumers (all items less food and energy; base year 1982-84 = 100) for the Los Angeles-Riverside-Orange County area published by the United States Department of Labor, Bureau of Labor Statistics.

The work of laying, constructing, maintaining, operating, renewing, repairing, changing and moving any of the pipeline system contemplated by this franchise and all other work in exercise of this franchise shall be performed in compliance with all applicable provisions of the City's Municipal Code pertaining to street excavations and restoration, including but not limited to the City's encroachments ordinance, and other applicable laws (in accordance with the Development Agreement) and shall be conducted with the least possible hindrance or interference to the use of City roads by the public or by the City Hermosa Beach, and E&B shall provide all necessary warning, safety and traffic control devices as are or may be required by City, County, State or Federal regulations. All excavations shall be back filled and adequately compacted. The surface of City roads shall be placed in a condition that is as good and as serviceable as existed at the beginning of this work and must be to the satisfaction of the City Engineer.

SECTION 11. An application for a Development Agreement was filed in accordance with Hermosa Beach Municipal Code Chapter 17.64 and California Government Code section 65864 et seq. on November 14, 2012 by E&B Natural Resources Management Corporation to develop an oil production and processing project on a City-owned parcel located at 555 Sixth Street pursuant to the lease, City Council Resolution No. 93-5632 (Conditional Use Permit) and the Settlement Agreement entered into by and between the City, Macpherson and E & B dated March 2, 2012. The application was deemed complete on April 18, 2013.

A. A public hearing was duly noticed for consideration by the Planning Commission meeting on June 23, 2014. At that meeting the Commission reviewed the staff report, considered all the pertinent testimony, and adopted a resolution (No. 14-9) making its recommendations to the City Council.

B. A duly noticed public hearing was conducted by the City Council on October 14, October 28, and November 13, 2014 at which the Council considered all pertinent testimony and adopted Resolution No. 14-6926, incorporating the Development Agreement into this ordinance to be considered by the electorate.

C. The People of the City of Hermosa Beach hereby find and declare:

1. With approval of the Coastal Land Use Plan amendments and zoning ordinance and other Municipal Code text amendments proposed in this ordinance, the Development Agreement is consistent with all applicable provisions of the General Plan and the Municipal Code.

2. The Development Agreement contains all the mandatory provisions required and permissive content allowed by Government Code Section §65865.2.

D. Based on the above findings, the People of the City of Hermosa Beach hereby approve the Development Agreement, which is attached hereto as Attachment D to this ordinance and incorporated herein by reference.

E. The City Manager is authorized to execute the Development Agreement and fill in the blanks in the introductory sections and in the signature blocks.

F. In the event that the Coastal Commission proposes any modifications to the Development Agreement pursuant to Government Code section 65869, such modifications will be automatically incorporated into the Development Agreement without a further vote of the electorate provided they are consistent with the Lease and the Settlement Agreement entered into by and between the City, Macpherson and E&B dated March 2, 2012.

G. The Development Agreement may be amended by mutual agreement of City and E&B as provided for in the terms of the Development Agreement and without further vote of the electorate provided the amendment is not inconsistent with or as may be necessary to implement the Project.

SECTION 12. Pursuant to the requirements of the California Environmental Quality Act ("CEQA"), Public Resources Code section 21000 *et seq.* and the Guidelines promulgated thereto in 14 Cal. Code Regs section 15000 *et seq.*, the People find as follows:

A. As contemplated in the Settlement Agreement entered into by and between the City, Macpherson, and E&B dated March 2, 2012, the City caused to be prepared an EIR evaluating the environmental impacts of the discretionary approvals approved by this ordinance. The City Council reviewed and considered the Final EIR and certified on July 8, 2014 that the Final EIR was prepared in accordance with the requirements of CEQA, reflects the independent judgment of the City Council, and constitutes an accurate and complete statement of the environmental impacts of the proposed project.

B. The record for the Project demonstrates that the Applicant incorporated design features and operational practices into the Project that implement the modern technology and operational advancements related to air quality, odors, noise, hazards, and water quality to reduce the potential impacts on the adjacent community and the environment.

C. The record for the Project demonstrates that changes or alterations have been required in the Project that, to the extent feasible, substantially lessen some of the significant environmental effects identified in the Final EIR. The Final EIR recommends imposition of various mitigation measures to mitigate the significant adverse environmental impacts expected to be caused by the Project. Those mitigation measures have been incorporated into the Project entitlements in the Development Agreement and are implemented by way of a Mitigation Monitoring and Reporting Program set forth in Exhibit D-3 to the Development Agreement.

D. The EIR identifies significant adverse environmental impacts that cannot be mitigated to a level of insignificance, significant impacts that can be mitigated to a level of insignificance, and impacts that would be less than significant. Those impacts are summarized below:

Impacts 1 &2: Aesthetics and Visual Resources

An 87-foot electric drill rig with three-sided acoustical shield would be installed at the Project Site at the beginning of Phase 2 for about 4 months, then during Phase 4 for 30 months, then periodically thereafter for re-drills for up to an maximum average of 30 days per year or a maximum of 150 days once every 5 years. The rig would introduce, primarily into the foreground and middleground environments, a visually dominant vertical feature which is distinct in form, mass, height, material and character from structures in the viewshed of locations which are considered to have high sensitivity. The effects of light, shade and shadow would produce contrasting geometric vertical planes and would project into a typically uniform (or otherwise naturally varied) sky backdrop.

Night views of the open (illuminated) side of the drill rig, with the pattern and scale of this illuminated feature, would be out of character with existing nighttime views. Similar to day time impacts, this vertical feature would project above the horizontal plane of the existing illuminated environment and would become a focal element. The duration of exposure, number of sensitive viewers, and nature of the visual change would result in impacts that would be significant. During periods of Phase 4, a 110-foot workover rig could be present on site for up to 90 days per year. The open truss structure of the workover drill rig introduces a focal element of industrial character into viewsheds of primarily residential and light industrial character. The workover rig would not operate at night (after 6 pm).

The mitigation measures provided in the Final EIR reduce these impacts to the extent feasible. However, these impacts (with the drill rig or workover rig on the Project Site) would remain significant adverse impacts after mitigation. The

Mitigation measures include: the selection of colors and materials for the drill rig acoustical cover that are of a neutral sky color and fully opaque; the installation of a permanent 35-foot wall at the end of Phase 3 to provide for the stability of views and opportunities for positive visual elements (i.e., articulations of the façade) for the duration of Phase 4; landscape plantings installed at the end of Phase 3 that respond to the design of the walls; and the selection of colors and finishes and lighting to minimize glare and reflectivity.

The impacts when the drill rig or workover rig are not present on the project site would be less than significant with mitigation.

Impact 3: Air Quality and Odors

Due to the close proximity of the Project site to neighbors, businesses and the public (within 100 feet of businesses, 160 feet of residences, 55 feet of the Greenbelt and 20 feet of the public sidewalks), certain scenarios could cause odors offsite. These could include various maintenance activities such as line, tank or vessel openings; workovers removing well hole equipment (pumps or tubing), thereby exposing the well equipment to the atmosphere; minor accident scenarios; and drilling activities including muds handling that could cause short-duration, intermittent odors, or pump leaks. Because odor thresholds for certain compounds found in the oil and gas industry are very low, in the parts per billion range, release of these compounds can cause odor impacts off-site. Therefore, due to the close proximity of neighbors, odor impacts could impact surrounding areas and would be a significant impact.

The Mitigation measures provided in the Final EIR reduce the potential impacts related to odors to the extent feasible. However, the impacts related to odors would remain significant adverse impacts after mitigation. The mitigation measures proposed that would reduce the frequency of odor events include: the implementation of systems that direct odor-causing releases to flare-type systems; the implementation of a compressor seal vent collection system; implementation of an Odor Minimization Plan and an Air Monitoring Plan that include buffer areas, signage, monitoring, and alarms when certain levels of H₂S and hydrocarbons are reached as well as notification protocol and remedies if releases occur; the use of an odor suppressant system; and increased vigilance associated with South Coast Air Quality Management District (SCAQMD) Rule 1173 (related to controlling “leaker” components) to further reduce emissions from fugitive components that could cause odors.

The air quality impacts related to construction and long-term operational emissions, health risk, and greenhouse gas (GHG) emissions would be less than significant with mitigation.

Impact 4: Biological Resources

Oil spills and ruptures from the installed off-site oil pipelines could result due to geologic hazards, mechanical failure, structural failure, corrosion, or human error during operations. During a storm event, a spill of crude oil from the pipeline near the corner of Herondo Street and Valley Drive could be directed into the storm drain system, which from that point drains about 1,500 feet through storm drain piping onto the beach, near the high tide line. The amount of oil that would enter the ocean would depend on how much sand was on the beach at that particular time. This would have the potential to result in impacts to the numerous sensitive habitats and species present in the Pacific Ocean. Oil spills and cleanup activities could potentially result in impacts to biological resources. Direct impacts on wildlife from oil spills include physical contact with the oil, ingestion of oil, and loss of food and critical nesting and foraging habitats.

The mitigation measures provided in the Final EIR reduce the potential impacts to biological resources to the extent feasible. However, these impacts have the potential to remain significant adverse impacts after mitigation. The mitigation measures include development of an Emergency Response Plan in compliance with the California State Oil Spill Contingency Plan. The plan shall include provisions for containment and cleanup measures and responsibilities. In addition, the Final EIR provides for mitigation measures for potential impacts to Hydrology and Water Quality discussed below, including implementing infrastructure preventative maintenance, conducting structural integrity tests, and routine inspections, would reduce the likelihood and severity of potential oil spills and exposure impacts to sensitive biological resources; but, impacts would remain significant and unavoidable. The fully enclosed drain systems proposed by E&B for the Project site would retain any spills on-site. Therefore, potential spills at the Project Site would not result in a significant impact to biological resources.

Impact 5: Hydrology and Water Quality

As described for Biological Resources above and in the Final EIR, during a storm event, a release from the off-site pipeline near the corner of Herondo Street and Valley Drive could produce a worst-case oil spill of 16,000 gallons that could drain directly into subsurface soils and/or to the ocean through storm drains. The probability for this impact to occur during a 0.50 inch rain event near the corner of Herondo Street and Valley Drive would be reduced from 0.40%

to 0.087% over the Project life time after applying the mitigation measures described below. The probability that there would be any sized spill along any point of the pipeline, over the 35 year life of the Project would be reduced from 34% to 12%, after applying the mitigation measures described below.

The mitigation measures provided in the Final EIR related to Biological Resources and Hydrology and Water Quality would reduce the potential impact to water quality to the extent feasible. However, this impact to water quality has the potential to remain a significant adverse impact after mitigation. The mitigation measures, in addition to the measures listed above for Biological Resources, include implementing infrastructure preventative maintenance (i.e., smart-pigging) and routine visual inspections, the installation of a leak detection system and check valve into the crude oil pipeline at Herondo Street, the installation of an oil separator in storm drain systems of Herondo Street, and the use of pipeline design measures, which include the use of impact resistant coating, the installation of a slurry above the pipe to the base of the pavement or ground surface, and the laying of strips of warning tape over the top of the pipeline to prevent third-party damage. These mitigation measures would reduce the frequency or severity of an oil spill reaching the ocean; but, impacts would remain significant and unavoidable.

Impact 6: Land Use

The drilling, construction, and potential future operations would be in close proximity to land uses zoned as open space (parks, baseball fields and the Greenbelt) and residential. Project activities during all phases may generate significant noise, odor, and visual impacts that have the potential to be incompatible with these adjacent land uses.

The mitigation measures provided for Noise and Vibration below would reduce the potential noise impacts during the concurrent drilling and production, as well as production only, in Phases 2 and 4 to a less than significant level. The mitigation measures in the Final EIR provided above for odors and aesthetics and below for noise during demolition and construction would reduce the land use compatibility impacts to the extent feasible. However, the land use impacts would remain significant adverse impacts after mitigation.

Impact 7: Noise and Vibration

The predicted noise impact during demolition and construction activities in Phase 1 and 3 of the Project has the potential to be significant at the homes to the northwest and west of the Project Site where Project-related noise could result in an increase in daytime noise levels over existing noise levels.

The mitigation measures provided in the Final EIR reduce the potential noise impacts to the extent feasible. However, these impacts during demolition and construction would remain significant adverse impacts after mitigation. The mitigation measures include the provision of 24-foot high noise barriers along the project perimeter and gates at the access points to the project site with all acoustical barriers required to meet the specified performance standards.

Predicted noise impacts during the concurrent drilling and production in Phase 2 and Phase 4 drilling stages and during Phase 4 re-drills would be reduced to less than significant with mitigation. Noise levels when drilling is not occurring during Phase 4 would be less than significant. During re-drills, noise levels would be the same as those during drilling and, therefore, less than significant after mitigation. Predicted noise levels due to increases in traffic would be less than significant. Predicted vibration impacts would be less than significant after mitigation.

Impact 8: Recreation

As discussed for Biological Resources and Hydrology and Water Quality above, during a rain event, a potential oil spill from the oil pipeline near the corner of Valley Drive and Herondo Street could drain directly into the storm drains and flow to the ocean. An oil spill along the coastline could affect beach areas, leading to beach closures and boating restrictions in contaminated areas during and potentially after cleanup. Public perception of the recreational quality of the areas beaches (Hermosa, Manhattan, Redondo, etc.) could also be affected, causing a reduction in beach recreational activities for a substantial period of time.

The mitigation measures provided for Biological Resources and Hydrology and Water Quality would reduce the frequency and severity of an oil spill reaching the ocean to the extent feasible. However, the impacts have the potential to remain significant adverse impacts after mitigation.

Impact 9: Safety, Risk of Upset, and Hazards

The potential for a blowout to result from drilling activities could produce off-site risks, including serious injuries and fatalities, if they encounter pressurized areas of the reservoir. Although it is not known at this time which reservoir areas, if any, are pressurized to the extent that pressures could produce a blowout, historical data from drilling in

Redondo Beach indicates that such potential does exist. Pressurization once the wells are placed into production (after drilling) would last for only a short period of time (estimated at 30 days based on the Redondo Beach wells), but could still result in a blowout during drilling. E&B indicated in the Planning Application that wells would be pressurized for a short period after drilling.

The mitigation measures provided in the Final EIR reduce the potential impacts related to a well blowout during drilling to the extent feasible. However, these impacts during drilling have the potential to remain significant adverse impacts after mitigation. E&B proposed design features, including the use of an off-shore equivalent-style blow out preventer equipment (BOPE), venting to a flare, and non-cascading shutdown systems that would be incorporated into the design of the Project to address this potential impact. In addition, the mitigation measures provided in the Final EIR would include: preparation of an independent third-party audit with all audit items implemented immediately and the audit updated annually; and the design of crude oil spill containment areas as Class Division I areas according to NFPA and NEC or the isolation of spark producing equipment from the containment area.

The potential for risks from a pipeline rupture would be less than significant with mitigation. The potential for impacts from risks associated with spark-producing equipment resulting in the chances of igniting a crude oil spill would be reduced to less than significant with mitigation. In addition, the potential for risks during operations without drilling would be a less than significant impact.

E. As to the significant adverse environmental impacts that cannot be mitigated to a level of insignificance, the People hereby adopt the following findings and statement of overriding considerations:

The EIR examined alternatives to the proposed Project. Although the No Project/No Development Alternative is considered environmentally superior, the alternative does not achieve any of the project objectives. Of the other alternatives considered, the next best alternative is the AES Site, which reduces the greatest number of the Project's significant and unavoidable impacts to less than significant with mitigation. Nevertheless, use of the AES site also does not meet most of the project objectives to the extent the objectives are tailored for the City Yard site and the 1993 Conditional Use Permit for that site and the March 2012 Settlement Agreement. The use of the AES site also has a number of potential legal and land use issues, related to Redondo Beach Charter Article 27 and would most likely require a vote of the people of Redondo Beach and a re-zoning. These issues are similar to those presented by the Proposed Project. The EIR recognizes that while both the Proposed Project and the AES Site Alternative have similar challenges, E&B has no control over the AES site. Due to these considerations, it cannot be considered a feasible alternative. After examining the alternatives, adoption and implementation of the Proposed Project is the most desirable, feasible, and appropriate action.

The development agreement includes all feasible mitigation measures as part of the Mitigation Monitoring and Reporting Program and significant conditions of approval for the Project in Exhibit D to the Development Agreement. Even with implementation of those mitigation measures, the Final EIR and the record of proceedings for the Project identify potentially significant and unavoidable environmental impacts from the Project in the areas of Aesthetics and Visual Resources (with drill rig and workover rig on-site), Air Quality (odors), Biological Resources (from potential off-site oil pipeline rupture), Hydrology and Water Quality (water quality from potential off-site oil pipeline rupture), Land Use, Noise (construction and demolition), Recreation (from potential off-site pipeline rupture), and Safety, Risk of Upset and Hazards (from potential well blowout during drilling).

The proposed project would provide public benefits, pursuant to the commitments in the Lease, the Settlement Agreement and the Development Agreement, as described below.

1. Gross Revenues to the City

E&B will pay royalties to the City, as set forth in Section 3 of the Lease. E&B and the City's consultant prepared separate royalty payment estimates for the project as depicted in Figure 1 of the City's Cost Benefit Analysis.

2. Accelerated Unrestricted Royalty Payments of \$1,000,000 Annually Commencing with Issuance of City Drilling Permit for First Well

With the issuance of the City's drilling permit for the first well (one of the three test wells), E&B shall pay to the City an accelerated unrestricted royalty payment of \$1,000,000 annually as an advance on future unrestricted royalties until the Minimum Royalty of \$500,000 commences (estimated to continue for five years for a total of \$5,000,000). The City is

not required to repay these accelerated royalty payments if the unrestricted royalties are not sufficient to cover these payments. The Drilling Permit Advances are not restricted and may be used in accordance with applicable City laws.

3. Bonus Payments to Minimum Royalty During Years 4-13 of the Lease to Ensure \$1,000,000 to City

In addition to the \$500,000 Minimum Royalty in the Lease during years 4-13, E&B shall pay an additional bonus equal to the difference between the Minimum Royalty and \$1,000,000 to ensure that City receives at least \$1,000,000 during those years.

4. Remediation of City Maintenance Yard

E&B will pay for and implement the Remedial Action Plan for the Project to remediate soil contamination at the City Maintenance Yard if the Project proceeds to Phase 3, full production. If the Project does not proceed to Phase 3, E & B will conduct remediation activities at the City Maintenance Yard to allow the site to be used for industrial and commercial purposes.

5. Relocation of City Maintenance Yard

Upon the issuance by the City of the drilling permit for the first well, the City will not be required to repay \$3,500,000, plus interest, to E&B as required in the Settlement Agreement. These funds could be used for projects at the discretion of the City, including a temporary or permanent relocation of the City Maintenance Yard. E&B will also advance \$6,500,000 to the City for the permanent relocation of the City Maintenance Yard if the Project proceeds to Phase 3, full production.

6. Hermosa Beach Residential Property Fund

E&B will establish an independent Fund to provide assurance to residential property owners within 600 feet of the Project site that they will incur no loss, as a result of the Project, to their property's fair market value in the event of a sale of the property. The Fund will pay the difference between an eligible property's actual negotiated sale price and the appraised market value of the property as if the Project had not been built. There is no cost to the property owners to receive the benefits of the Fund.

The Fund will commence upon issuance by the City of the drilling permit for the first well, and will continue for at least six years or one year after completion of the final well (whichever is later), or until the Fund has been fully disbursed to participants. Residential property owners within 600 feet of the Project are eligible to participate, with a \$25,000,000 cap on the total amount of benefits to be paid out. The Fund will have a minimum balance of \$1,000,000, with additional funding of a maximum of \$4,000,000 based on 1.5% of gross project revenues. At the expiration of the Fund term, the remaining balance, of at least \$1,000,000 up to a maximum of \$5,000,000, will be distributed to the residential property owners within 300 feet of the Project site.

7. Additional Property Tax Revenue

The City will receive additional property tax revenue levied on the value of the oil reservoir, as identified in the Cost Benefit Analysis.

8. City's Obligation to Pay \$14 Million Released

Pursuant to the terms of the Settlement Agreement, the City will be relieved of its obligation to pay E&B \$14 Million.

9. 1% Overriding Royalty Interest to Hermosa Beach Education Foundation

Pursuant to E&B's commitment in the Settlement Agreement to establish a revenue stream to the Hermosa Beach School District, E&B has assigned to the Hermosa Beach Education Foundation a 1% overriding royalty interest in oil and gas produced from the Project site, with a \$1,000,000 advance payment of royalty to the Foundation upon issuance by the City of the drilling permit for the first well. The Education Foundation's mission is "to promote investment in Hermosa Beach Public Schools and provide educational grants."

10. Payment to City to Fund Community Improvements

E&B shall provide 1% of 100% of gross revenues to City for community improvements, where such improvements shall be determined by the City in its sole discretion. This would be funded by E&B as a percentage of gross project revenues, with an initial amount of One Million Dollars (\$1,000,000) to be contributed by E&B to the program upon the issuance by the City of the drilling permit for the first well.

After balancing these specific economic, legal, social, technological, and other benefits of the proposed project, the voters of the City of Hermosa Beach have hereby determined that the nine significant and unavoidable adverse environmental impacts identified may be considered acceptable in light of the benefits listed above which offset these unavoidable, adverse environmental impacts that will be caused by the Project. Specifically, the revenue to the City from these ten listed benefits outweighs the risks of the nine environmental impacts identified in the EIR. Having adopted all feasible mitigation measures and recognized all unavoidable significant impacts, each of the separate benefits of the proposed project, as stated herein, is hereby determined to be unto itself an overriding consideration, independent of other benefits, that warrants approval of the proposed Project and outweighs and overrides its unavoidable significant effects, and thereby justifies the approval of the E&B Oil Project.

Based on the foregoing findings and the information contained in the record, it is hereby determined that:

a. All significant Cultural Resources, Energy, Environmental Justice, Fire Protection and Emergency Response, Geology and Soils, Noise impacts during drilling and production, Public Services, Transportation/Traffic, and Water Resources effects on the environment due to approval of the Project have been eliminated or substantially lessened where feasible;

and

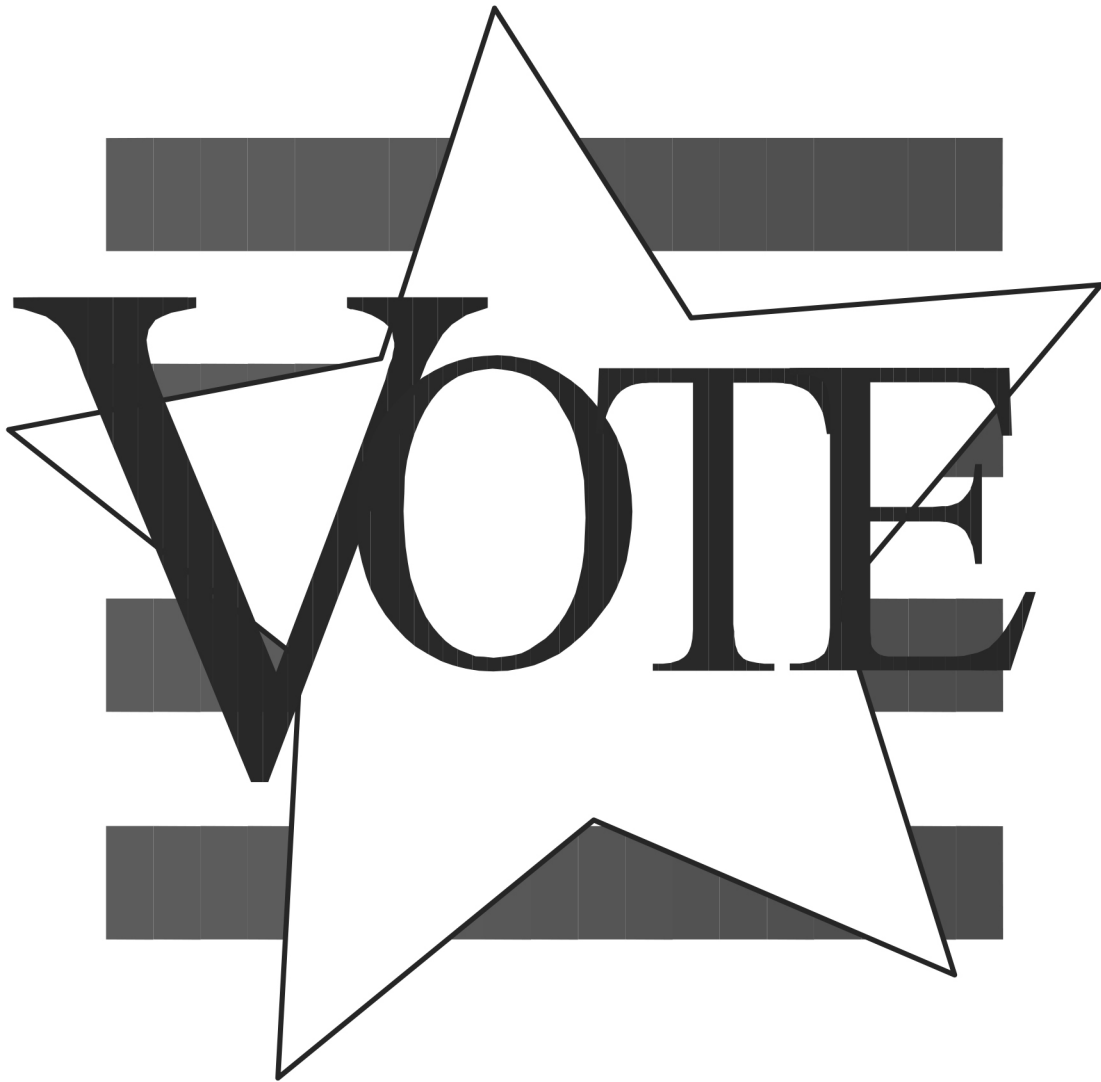
b. Any remaining significant Aesthetic and Visual Resources (with drill rig and workover rig on-site), Air Quality (odors), Biological Resources (from potential off-site oil pipeline rupture), Hydrology and Water Quality (water quality from potential off-site oil pipeline rupture), Land Use, Noise (construction and demolition), Recreation, and Safety, Risk of Upset, and Hazards (from potential well blowout during drilling) effects on the environment found to be unavoidable are acceptable due to the factors described above. Thus, on balance, the economic and other benefits accruing to the City and the community from the Project outweigh the risk of potential impacts to the community.

SECTION 13. If any provision of this ordinance, or the application of any such provision to any person or circumstances, shall be held invalid, the remainder of this ordinance to the extent it can be given effect, or the application of those provisions to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby, and to this end the provisions of this ordinance are severable. The people hereby declare that they would have adopted each section, subsection, sentence, clause, phrase, or portion of this Ordinance, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions of this Ordinance be declared invalid or unenforceable.

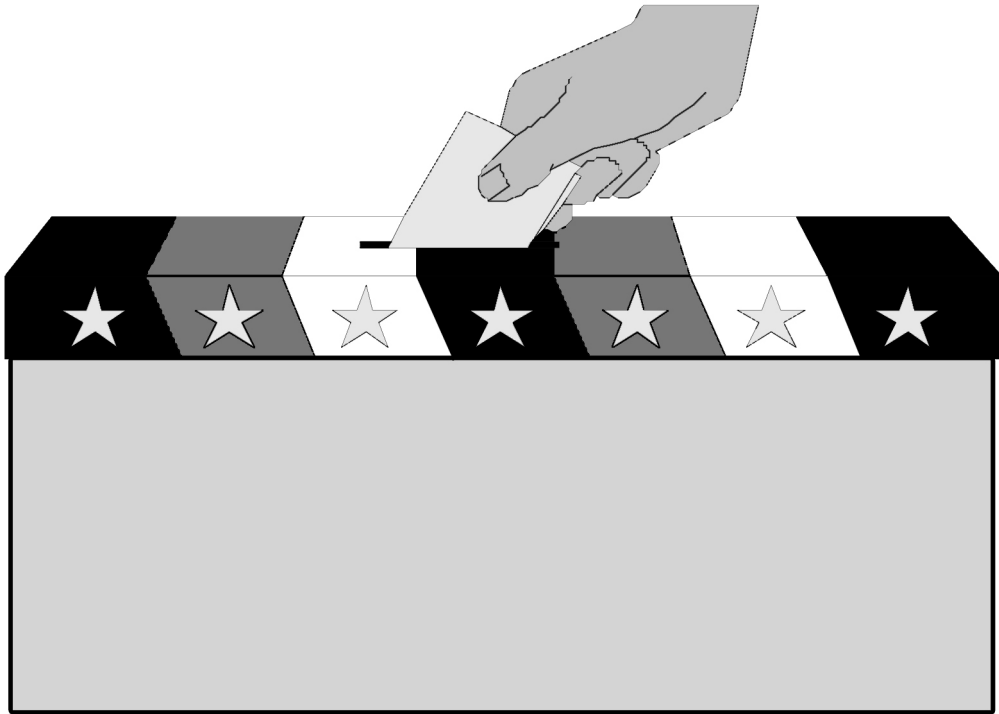
SECTION 14. This Ordinance shall be considered adopted immediately upon the date that this Ordinance is confirmed and approved by the voters of Hermosa Beach at the Special Municipal Election of March 3, 2015 and shall become effective on March 13, 2015.

SECTION 15. The City Manager is hereby directed to submit to the California Coastal Commission the amendment to the Hermosa Beach Coastal Land Use Plan, part of the City's General Plan, and the Development Agreement adopted herein.

It is a privilege to vote!



Cast Your Vote!



Detach this stub before mailing back Vote by Mail Application

Detach Here



Detach Here

HERMOSA BEACH CA 90254-3846
1315 VALLEY DRIVE
CITY OF HERMOSA BEACH
OFFICE OF THE CITY CLERK



Place a
First Class
Stamp
Here



DID YOU SIGN YOUR APPLICATION AND
PRINT YOUR RESIDENCE ADDRESS
ABOVE YOUR SIGNATURE?

FROM:

Detach Here



Detach Here

NOTICE TO THE PHYSICALLY HANDICAPPED VOTER:



If the polling place is not accessible to the physically handicapped voter, such voter is entitled to vote in one of the following ways:

1. A precinct board member shall take a regular ballot to the physically handicapped person at a place as near as possible to the polling place and which is accessible to such person, qualify that person to vote, and return the voted ballot to the polling place;
2. If it is impractical to vote a regular ballot outside the polling place, please use the

OFFICE OF THE CITY CLERK
CITY OF HERMOSA BEACH
1315 VALLEY DRIVE
HERMOSA BEACH CA 90254-3846
310/ 318-0203 PHONE
310/ 372-6186 FAX



PRSR STD
U.S. POSTAGE
PAID
Permit No. 2259
Long Beach, CA

BT
19-275

Detach Here



Detach Here

POLLING PLACE or Drop your Vote-by-Mail ballot off here 

APPLICATION TO "VOTE-BY-MAIL"

CITY OF HERMOSA BEACH

SPECIAL MUNICIPAL ELECTION - TUESDAY, MARCH 3, 2015


To obtain a vote by mail ballot, complete the information on this form. The elections official **MUST RECEIVE** this application by **February 24, 2015**.

Print Name: _____ Date of Birth: _____

Residence Address: _____
(As Registered) Number and Street City, State Zip Code

Mail My Ballot To: _____
(If different from above) Number and Street City, State Zip Code

FOR OFFICIAL USE ONLY:	
Precinct No.	Ballot Group No.
Date Issued	Date Returned
Ballot No. (optional)	

 SIGNATURE _____ Date _____ Daytime Phone No _____
Signature of Applicant (Must be signed to be processed)

I have not applied for a vote by mail ballot for this election by any other means. I declare under penalty of perjury under the laws of the State of California that the information I have provided on this application is true and correct.

Detach Here



Detach Here



**POLLS OPEN AT 7:00 A.M.
AND CLOSE AT 8:00 P.M.**

**TAKE THIS SAMPLE BALLOT TO YOUR
POLLING PLACE FOR REFERENCE**

POLLING PLACE: Your polling place may have changed!

See above for your polling place location.