



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Planning &
Development
Department No.: 053
For Agenda Of: May 2, 2023
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Lisa Plowman, Director, Planning & Development
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Contact Info: John Zorovich, Deputy Director
Energy, Minerals & Compliance Division (805) 568-2519

SUBJECT: Coastal Resources Mitigation Fund (CRMF): Modification to the Point
Pedernales Project (PPP) Assessment of CRMF Fees for 2023-2027

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: No

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Consider and approve staff's recommendation for a modification to the Point Pedernales Project (PPP) Assessment of Coastal Resources Mitigation Fund (CRMF) Fees for 2023-2027 (Attachment A);
- b) After approval of recommendation "a", consider and approve revised allocation amounts for the 2022-2023 CRMF solicitation cycle;
- c) Amend the CRMF Guidelines (Attachment B) for the purposes of documenting PPP's modified Assessment of CRMF fees for 2023-2027; and
- d) Determine that modifying the Assessment of CRMF Fees, updating the available amounts for the 2022-2023 CRMF cycle and updating the CRMF Guidelines are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4) and (5).

Summary Text:

- a) **Point Pedernales 2023 CRMF Assessment.** Staff recommends a modification to the Freeport-McMoRan (FMO&G) Point Pedernales Project (PPP) Assessment of CRMF Fees for the years 2023-2027. The Board of Supervisors recently approved the 2023-2027 reassessment of CRMF fees on December 6, 2022.

However, on January 1, 2023, Phillips 66 shut in their Line 300 pipeline system and stopped transporting oil, including PPP’s oil. Phillips 66 is not planning on reactivating the pipeline system, causing Freeport-McMoRan’s (FMO&G) to shut down the PPP and remove all oil from PPP’s facilities. FMO&G is actively working on several options to restart production but does not anticipate resuming production in 2023. As such, many potential impacts identified through the CRMF program associated with PPP will not occur in 2023 as predicted in the previously approved 2023-2027 five-year reassessment.

Staff has modified PPP’s 2023-2027 Assessment of CRMF fees, which is detailed in Attachment A. FMO&G has cleaned and shut in PPP’s offshore/onshore pipeline. All hydrocarbons were drained and all production systems and piping at PPP’s platform have been depressurized. The platform wells at PPP have been secured, disabling active oil flow. Each well is equipped with at least three barriers to flow, including block valves. Certain wells are also equipped with a subsurface safety valve, creating a fourth barrier on the wells so equipped. In the assessment of fees, staff assigns up to five (5) points per year in each of the four (4) coastal impact categories (tourism, aesthetics, environmentally sensitive resources, and recreation). (See CRMF Guidelines Appendix A for a detailed description of CRMF five-year assessments.) Four (4) of the four-and-a-half (4.5) CRMF impact points associated with PPP’s previously approved assessment are associated with the risk of an oil spill. Because PPP is now hydrocarbon-free, staff concludes that the likelihood of a major oil spill is extremely rare and recommends a reduction in CRMF impacts points from four-and-a-half (4.5) to one-half (0.5). In turn, staff recommends a reduction in PPP’s 2023-2027 CRMF fees from \$238,950 to \$26,550 (see Table 1). FMO&G has reviewed staff’s proposed modified PPP CRMF Assessment of Fees for 2023-2027 and concurs with staff’s recommendation.

Table 1: PPP’s Previously-Approved and Modified CRMF 2023-2027 Assessment

Impact Category	Previously-Approved 2023-2027 Impact Points	Staff Recommended Modified 2023-2027 Impact Points
Coastal Tourism	0	0
Coastal Aesthetics	0.5	0.5
Environmentally Sensitive Coastal Resources	3	0
Coastal Recreation	1	0
Total Impact Points	4.5	0.5
Total CRMF Fees*	\$238,950	\$26,550

* Assessed at \$53,100 per point, pursuant to CRMF Guidelines to reflect “1988 dollars”.

The two other oil and gas facilities that pay CRMF fees (Santa Ynez Unit and Point Arguello Unit) are not affected by this modified assessment.

- b) **Fees to be Allocated into Subfunds.** If staff’s assessment for PPP for the years 2023-2027 is approved by the Board today (described in issue summary (a) above), the County will be collecting \$318,600 in 2023 CRMF fees from the three oil and gas projects, instead of the \$531,000 that was assessed in the previously approved 2023-2027 reassessment (see Table 2). It is unknown when PPP

will begin producing oil again. When oil production resumes, fees associated with oil spill impacts will be applied on a pro-rated basis for the months producing oil.

Table 2: Modified Annual CRMF Fees for 2023-2027*

PROJECT	2023	2024	2025	2026	2027
Point Arguello Unit	\$159,300	\$159,300	\$159,300	\$159,300	\$159,300
Santa Ynez Unit	\$132,750	\$132,750	\$132,750	\$132,750	\$132,750
Point Pedernales	\$26,550	\$26,550	\$26,550	\$26,550	\$26,550
CRMF Fees Per Year	\$318,600	\$318,600	\$318,600	\$318,600	\$318,600

* Assessed at \$53,100 per point, pursuant to CRMF Guidelines to reflect “1988 dollars”.

On December 6, 2022, the Board approved setting aside \$124,999 of 2023 CRMF fees for the Hollister Ranch Access Program (HRAP) and that the remaining annual balances of 2023 CRMF fees be divided equally between the coastal acquisition and general allocation subfunds. Staff recommends that this approach still be taken for the modified 2023 CRMF fees. With \$124,999 from the 2023 CRMF fees, the County will have reached the goal of HRAP’s \$1,000,000 balance and no more future CRMF fees will need to be applied to the HRAP (see *Background* section below for details on HRAP). The remaining 2023 annual fees after the HRAP contribution (\$193,601) would be split between the coastal acquisition (\$96,801) and the general allocation (\$96,800) subfunds. The recommended 50/50 split is based on the Fund Deferral Program in the Board-approved Coastal Resources Mitigation Fund Guidelines (Section 3.6), whereby half of each year's remaining contributions be available to accrue for coastal acquisitions.

Therefore, for the 2022-2023 combined CRMF cycle, the revised totals that would be available include \$971,777 for coastal acquisition grants and \$258,975 for general allocation grants. See Table 3 below for 2022 and 2023 fee recommended distribution and balances.

Table 3: Staff Recommendations for 2022 and 2023 CRMF Fee Allocation

	2022 CRMF Fees	2023 CRMF Fees	Existing HRAP Funds	Existing Fund Deferral Program Balance	Total Balance
Hollister Ranch Access Program	\$124,999	\$124,999	\$750,002		\$1,000,000
Coastal Acquisition Available 22-23 Cycle	\$162,176	\$96,801		\$712,800	\$971,777
General Allocation Available 22-23 Cycle	\$162,175	\$96,800			\$258,975
Total Annual Fees	\$449,350	\$318,600			

- c) **CRMF Guidelines Amendment.** Staff recommends that the Board amend the Coastal Resources Mitigation Fund Guidelines to reflect the modified annual fees and the modified impact points for PPP in 2023-2027 (Tables 1 and 5 on pages 4 and 11, respectively, in the CRMF Guidelines). The recommended amendments are shown in Attachment B.
- d) **CEQA Determinations.** California Environmental Quality Act (CEQA) Guidelines Section 15378 (b)(4) and (5) defines a “Project” as not including the creation of government funding mechanisms and not including organizational or administrative activities of governments that will not result in direct or indirect potentially significant physical changes in the environment. Reassessing and allocating CRMF fees are proposed budget allocations and, therefore, are not considered a “Project” nor considered to cause a significant effect on the environment. Amending the CRMF Guidelines is an administrative activity that will not result in direct or indirect physical changes in the environment.

Background:

The County established the Coastal Resources Mitigation Fund (CRMF) as a condition of approval on permits for offshore oil and gas development and transportation projects. The Board of Supervisors approved the 2023-2027 reassessment of CRMF fees on December 6, 2022 (see Appendix A for details on the CRMF five-year reassessments).

Public Access Program for Hollister Ranch. The California Coastal Commission (CCC) added two special conditions to the Coastal Development Permit (CDP) for the Point Arguello Project (PAP) when it approved the CDP on appeal in 1985. CCC Special Condition #1 requires the permittee to provide \$1,000,000 to Santa Barbara County through its CRMF fees; the \$1,000,000 would be earmarked to provide initial costs for the development of a public access program for Hollister Ranch. This money was to be collected and set aside from PAP’s first three CRMF payments but this did not occur. The Board began to set aside the CRMF money for this program in 2017. With the 2023 CRMF fee contribution, the \$1,000,000 balance is met and no future contributions to this fund will be necessary.

Fiscal and Facilities Impacts:

Budgeted: No

CRMF creates no fiscal impact on the County general fund budget. CRMF is funded by mitigation fees paid annually by developers of offshore oil and gas reserves. Funding for CRMF is budgeted in the Planning & Development Department’s Coastal Mitigation Budget Program, and is fully supported by funds in CRMF. Administration of CRMF includes updates to the annual status report, solicitation and evaluation of grant proposals and recommendation of grant awards to the Board of Supervisors, preparing, monitoring and enforcement of CRMF grant contracts, preparation and monitoring of the CRMF budget, reassessing CRMF fees and responding to inquiries. Administration costs for FY 2022-23 would be funded by the interest accrued on CRMF.

Attachments:

- Attachment A: Modified Assessment of CRMF Fees for the PPP for 2023-2027
- Attachment B: Revised CRMF Guidelines

Authored by:

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