

Department of Public Works

Board of Public Works,
Office of Petroleum and Natural Gas Administration & Safety
Report No. 2

April 17, 2024
CD: All

NON-COMPLIANCE OF THE CITY OF LOS ANGELES FRANCHISE ORDINANCE SECTION 5.2 INSURANCE REQUIREMENT – MONETARY PENALTY

RECOMMENDATIONS

Recommending the Board:

1. **DIRECT** the Office of Petroleum and Natural Gas Administration and Safety to assess a monetary penalty to the Franchisees as listed for failure to comply with Section 5.2 (Insurance Requirements) of the Franchise Ordinance.
 - a. Cardinal Pipeline LP - Ord. No. 184953
 - b. Crimson Pipeline LP – Ord. No. 184958
 - c. Los Angeles Trade Technical College - Ord. No. 184965
 - d. Nasco Petroleum LLC - Ord. No. 184966
2. **APPROVE** the monetary penalty assessed to each Franchise for failure to comply with Section 5.2 (Insurance Requirements) of their Franchise Ordinance.
 - a. Cardinal Pipeline LP - Penalty \$10,000
 - b. Crimson Pipeline LP - Penalty \$10,000
 - c. Los Angeles Trade Technical College - Penalty \$10,000
 - d. Nasco Petroleum LLC - Penalty \$10,000

DISCUSSION

Background

Pursuant to Section 5.2 (Insurance Requirements of the Franchise Ordinance, a Franchisee is required to obtain, at its own cost a comprehensive general liability including contractual liability insurance in the amount of \$10 million, a worker's compensation/employer's liability insurance in the amount of \$1 million, an automobile liability insurance in the amount of \$1 million and a pollution liability insurance in the amount of \$25 million. Section 5.2 also states that a franchisee shall file evidence of insurance policy with and for approval by the City Administrative Officer, Risk Management Office.

In 2018 the Office of Petroleum and Natural Gas Administration and Safety (OPNGAS) brought a similar item before the board on October 26, 2018 when 9 franchisees were out of compliance: 7 for insurance, 2 for bonds. Originally in April 2018 there were forty-two insurance (42) non-compliant franchisees. By August 2018 there were thirty-four (34) and through the hard work of OPNGAS staff, from September 2018 to October 2018, the number

dropped from thirty-two (32) to five non-compliant franchisees. By the end of 2018, all but one franchisee was in compliance with the City Administrative Officer and Risk Management Office insurance requirements.

There were some years during the pandemic when OPNGAS staffing dropped down to 2 members in total and we were not able to verify compliance. In 2021 and 2022 the Petroleum Administrator worked hard to fill vacant positions and began to work on Franchise compliance verification. It was disheartening to discover how many franchisees had fallen out of that previous stellar record of compliance. As early as September 7, 2022 the OPNGAS began reaching out via email in an effort to bring franchisees into compliance.

On August 3, 2023, the City of Los Angeles (City) issued the **First Notice of Violation** and **First Offense** of non-compliance to the City's Franchise Insurance requirement. On September 7, 2023, the City issued the **Second Notification of Violation** and **Second Offense** of non-compliance to the insurance requirement. On February 22, 2024, the City issued the **Third Notice of Violation** and **Third Offense** of non-compliance to the insurance requirement. Several attempts were made to contact the franchisees but were unsuccessful.

This item was brought to the Board on March 13, 2024. We initially listed 23 non-compliant for Insurance. Per the Board's guidance, OPNGAS put those out of compliance on notice, to come into compliance by April 17, 2024. This item was further continued to today. Many franchisees have worked hard to come into compliance. At this time, 4 remain unresponsive and out of compliance with Insurance and we are recommending a fine. The 4 franchisees have also been invited to attend this Board of Public Works meeting.

Pursuant to Section 2.6(b) of the above referenced Ordinance, failure to remedy the violation may result in levy of a monetary penalty up to \$10,000 for the first offense, up to \$25,000 for the second offense within a 12-month period, and up to a maximum of \$50,000 for third and subsequent offenses within the same 12-month period. Failure to submit, remedy, and maintain a full force and effect acceptable insurance coverage(s) shall continue to be a violation of the provisions contained within the ordinance.

In referencing the procedure developed by the BPW Executive Officer and the City Attorney, the City's policy is that for ANY 4th or more offense, regardless of timing and unbounded by years, receives a penalty of \$50,000.

Penalty Summary

Cardinal Pipeline, LP.

As early as September 7, 2022 the OPNGAS began reaching out via email in an effort to have Cardinal Pipeline, LP. provide proof of insurance to the City of Los Angeles as required by Section 5.2 (Insurance Requirements) of the Franchise Ordinance. Since that time, our office has repeatedly notified Cardinal Pipeline, LP. to alert them of their non-compliant status. To date Cardinal Pipeline, LP. is still not in compliance with the Insurance requirement.

Recommended Penalty Amount: \$10,000

Crimson Pipeline, LP.

As early as September 7, 2022 the OPNGAS began reaching out via email in an effort to have Crimson Pipeline, LP. provide proof of insurance to the City of Los Angeles as required by Section 5.2 (Insurance Requirements) of the Franchise Ordinance. Since that time, our office has repeatedly notified Crimson Pipeline, LP. to alert them of their non-compliant status. To date Crimson Pipeline, LP. is still not in compliance with the Insurance requirement.

Recommended Penalty Amount: \$10,000

Los Angeles Trade Technical College.

As early as September 7, 2022 the OPNGAS began reaching out via email in an effort to have Los Angeles Trade Technical College provide proof of insurance to the City of Los Angeles as required by Section 5.2 (Insurance Requirements) of the Franchise Ordinance. Since that time, our office has repeatedly notified Los Angeles Trade Technical College to alert them of their non-compliant status. To date Los Angeles Trade Technical College is still not in compliance with the Insurance requirement.

Recommended Penalty Amount: \$10,000

Nasco Petroleum LLC.

As early as September 7, 2022 the OPNGAS began reaching out via email in an effort to have Nasco Petroleum LLC. provide proof of insurance to the City of Los Angeles as required by Section 5.2 (Insurance Requirements) of the Franchise Ordinance. Since that time, our office has repeatedly notified Nasco Petroleum LLC. to alert them of their non-compliant status. To date Nasco Petroleum LLC. is still not in compliance with the Insurance requirement.

Recommended Penalty Amount: \$10,000

FISCAL IMPACT STATEMENT

No negative fiscal impact is anticipated. \$40,000 in penalties are anticipated to be allocated to the Board of Public Works through this board action.

Respectfully Submitted by:

A handwritten signature in black ink that reads "Erica Blyther". The script is cursive and fluid.

Erica L. Blyther
Petroleum Administrator

For questions regarding this report, please contact:
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EB/JC