



May 22, 2014

Assembly Budget Chair Nancy Skinner
State Capitol, Room 6026
Sacramento, CA 95814

Senate Budget Chair Mark Leno
State Capitol, Room 5100
Sacramento, CA 95814

Assembly Budget Sub. 3 Chair Richard Bloom
State Capitol, Room 2179
Sacramento, CA 95814

Senate Budget Sub. 2 Chair Jim Beall
State Capitol, Room 2068
Sacramento, CA 95814

Dear Budget Chairs:

On behalf of the undersigned organizations, we respectfully support the recent budget request by Assemblymember Muratsuchi to assist the residents of Hermosa Beach by giving them the opportunity to vote to uphold a ban on oil drilling without fear of financial penalties associated with a sustained moratorium on oil drilling in this community. Specifically, we request that a loan of up to \$11.5 million be included in the budget to help the City of Hermosa Beach pay for a legal settlement related to an oil drilling project proposed in the most densely populated beach city in California, and just a handful of blocks from the waters of Santa Monica Bay.

In 1995, the City of Hermosa Beach passed Measure E, an initiative which banned oil drilling in the city, and then halted an oil project being pursued by Macpherson Oil Company for good reason. The potential environmental risks posed by oil drilling are not worth it to California, our coast, or our ocean. Macpherson Oil Company filed a lawsuit for breach of the lease, seeking monetary damages against the city. In 2012, an unrelated oil company, E&B Natural Resources, approached Hermosa Beach with a plan to settle the action. In the settlement, E&B Natural Resources would provide Macpherson Oil with a settlement payment in exchange for the City's permission to pursue an oil drilling project in Hermosa through a ballot initiative. Hermosa Beach agreed to place a measure on the ballot that will allow voters to decide whether the ban on oil drilling should be lifted. We anticipate the issue will be on the November 2014 ballot. If the residents vote to lift the ban, the oil drilling project can proceed and the City will have to pay \$3.5 million to the oil company. If the ban is upheld, the City will be required to pay \$17.5 million to E&B Natural Resources, of which the city currently has \$6 million set aside to pay.

Effects of the proposed oil drilling project extend beyond the City of Hermosa Beach; it poses significant environmental and economic risks throughout the Santa Monica Bay and bordering municipalities. The draft Environmental Impact Report associated with the proposed slant drilling project projects up to a 34% chance of an oil spill. With nearly 50 million annual visits to Bay beaches and a coastal economy worth over \$10 billion, an oil spill in Hermosa Beach would be a financial and ecologic nightmare for all of Los Angeles.

A state loan to the City of Hermosa Beach, with funds from the state tideland oil revenues, would help to pay off the terms of a settlement agreement. In 1978 a similar loan created precedent when the state of California issued a loan of tideland oil revenues to the City of Eureka for litigation issues. The proposed \$11.5 million loan would be repaid by the City of Hermosa Beach at \$500,000/annual increments to the Coastal Conservancy's Climate Ready Program. We support this strategy, as the Climate Ready Program is in need of funds to provide grants to local governments throughout the state to develop plans to prepare for climate change and sea level rise. Last year, the Coastal Conservancy received 76 proposals and they were only able to fund 13 projects.

We respectfully request that your respective Budget Committees include an \$11.5 million loan in the budget to assist the City of Hermosa Beach and allow its voters to vote with their conscience when deciding whether or not to lift the ban on oil drilling. We believe this is a matter of importance beyond the City of Hermosa Beach, as the decision before Hermosa Beach residents stands to affect the communities and visitors along the entire Santa Monica Bay. Thank you for your consideration.

Sincerely,



Sarah Abramson Sikich, MESM
Coastal Resources Director, Heal the Bay



Stacey Armato
Committee Chairperson, Stop Hermosa Beach Oil



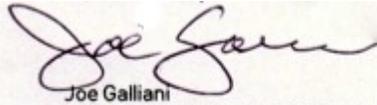
Damon Nagami
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Stefanie Sekich-Quinn
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Liz Crosson
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California Organizer, Earthworks



Marce Gutiérrez
Founder / Director, Azul



Andrew Grinberg
Oil and Gas Program Manager, Clean Water Action

/s/

Martha Dina Argüello
Executive Director, Physicians for Social Responsibility - Los Angeles (PSR-LA)

/s/

Tony Hale
President, Beach Cities Democrats