



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Nate Smith, Deputy Director of Public Works/City Engineer
Art Vela, Director of Public Works

MEETING DATE: October 22, 2024

SUBJECT: Consideration of Resolution 2024-170, Approving a Reimbursement Agreement with SFPP, L.P., a Delaware Limited Partnership, for Costs Associated with the Design and Relocation of Pipeline Facilities Owned and Operated by SFPP in Relation to the Sun Lakes Boulevard Extension Project

RECOMMENDATION:

Adopt Resolution 2024-170.

BACKGROUND:

The action requested with this item is an implementing action for the continued progress of the Sun Lakes Boulevard Extension Project within the adopted City Council Capital Improvement Program. SFPP, LP is a limited partnership that operates an oil pipeline owned by Kinder Morgan in the Project area. The pipeline is within an easement over the land the pipeline lays within, and was recorded on August 4, 1955 in book 1776, page 565 in favor of Southern Pacific Pipe Lines, and its future assignees. This easement was granted prior to the annexation of these parcels into the City of Banning's municipal boundaries, and as such, the pipeline is not within the franchise agreement that exists between the City of Banning and Kinder Morgan for facilities throughout the rest of the City. The easement also existed prior to the dedication of right of way to the City of Banning for the roadway with Parcel Map 25541 on the 17th of September, 1990 in Map Book 166/Page 27, and then accepted by the City Council with Resolution 2020-21 on the 11th of February, 2020; meaning that Kinder Morgan holds senior easement rights over the City of Banning for this facility.

Through development of the Sun Lakes Boulevard Extension Project, the Project team has been in contact with Kinder Morgan regarding impacts and encroachment into their easement area. Those discussion resulted in the re-design of portions of the Project to minimize impacts to the facility, and understanding that the roadway design would be in conflict with Kinder Morgan design standards for their pipelines necessitating a design for the relocation of Kinder Morgan pipeline facilities. Kinder Morgan's internal policy requires that encroaching parties enter into an agreement with Kinder Morgan, where Kinder Morgan will perform the design, permitting, construction, and inspection of the work related to the pipeline relocation, where the encroaching party is responsible to pay Kinder Morgan for 100% of their incurred costs for the relocation.

The agreement has been structured to allow the City of Banning to make payments to Kinder Morgan prior to each Project phase (Phase 1 = Design, Phase 2 = Permitting, Phase 3 = Construction, Phase 4 = Inspection and Closeout). Kinder Morgan will provide an estimate at each Project phase for the anticipated complete Project cost. The estimate provided in Exhibit B of the agreement includes the

Phase 1 costs, and then estimates for the remaining phases prepared without the benefit of a design. Prior to the City's payment for Phase 2 work, Kinder Morgan will provide an updated estimate with the required Phase 2 payment and estimates for Phases 3 and 4. The same would occur at Phase 3, and at Phase 4. Kinder Morgan will also provide a detail invoice of actual costs incurred to the City of Banning for review and audit throughout the Project and at the issuance of a final invoice post construction.

JUSTIFICATION:

To comply with the \$13,500,000 RCTC MARA Grant received by the City of Banning, the entire Project will need to be construction ready with an initial invoice paid by June 30, 2025. Encroachment rights from the utility holders is a required item for this project. Additionally, as Kinder Morgan holds senior easement rights to the City of Banning, the City is obligated to perform work as required by Kinder Morgan and their Encroachments Divisions policies and procedures. This action is a necessary step to advance the roadway project to the construction phase.

FISCAL IMPACT:

The initial payment per Exhibit B of the Reimbursement Agreement for Phase 1 work for Engineering Design and Company Labor is \$128,938, paid from the City's Street DIF Account (420-4900-431.90-10). Expenditures from this account totaling \$2,500,000 were allocated for this Project in FY26 and FY28. Estimated Project costs, to be revised by Kinder Morgan prior to subsequent Project phases, is currently estimated at \$3,711,119.

These expenses are eligible for reimbursement through the Transportation Uniform Mitigation Fee (TUMF) overseen by the Western Riverside Council of Governments (WRCOG).

ALTERNATIVES:

Do not adopt Resolution 2024-170 and provide direction to staff on how to proceed with the Sun Lakes Boulevard Extension Project.

BUDGETED?:

Yes

CONTRACT/AGREEMENT:

Yes

ATTACHMENTS:

1. [Resolution 2024-170, SFPP Reimbursement Agreement.docx](#)
2. [Exhibit A - Banning Agreement SFPP - 2024.10.15.pdf](#)
3. [1955 BOOK 1776 PAGE 565.pdf](#)