CITY OF BANNING
STAFF REPORT

TO:	**CITY COUNCIL**
FROM:	**Elizabeth Gibbs, City Manager**
PREPARED BY:	**Patrick Safari, Capital Improvement Projects Manager** **Art Vela, Director of Public Works**
MEETING DATE:	**August 25, 2026**
SUBJECT:	**Consideration of Resolution No. 2026-117, to Authorize the City Manager to Execute Amendment No. 2 to the Reimbursement Agreement with SFPP, L.P., a Delaware Limited Partnership, for additional Costs Associated with the Relocation of Pipeline Facilities owned and Operated by SFPP in Relation to the Sun Lakes Boulevard Extension Project.**

STAFF RECOMMENDATION:

Approve Resolution No. 2026-117

BACKGROUND:

SFPP, L.P. is a limited partnership that operates an oil pipeline owned by Kinder Morgan in the Sun Lakes Boulevard Extension Project area. The pipeline is located within an easement that conflicts with the alignment of Sun Lakes Boulevard Extension. Through development of the project and in consultation with Kinder Morgan, it became necessary to relocate the oil pipeline to accommodate Kinder Morgan encroachment requirements.

On October 22, 2024, the City Council adopted Resolution No. 2024-170 approving a Reimbursement Agreement with SFPP, L.P. for costs associated with the Design and Relocation of pipeline facilities owned and operated by Kinder Morgan in relation to the Sun Lakes Boulevard Extension Project in the amount of $3,711,119. The cost encompasses the entire relocation project, broken down into four key phases: engineering, permitting, construction and inspections.

On January 27, 2026, the City Council adopted Resolution No. 2026-19 approving Amendment No.1 to the Reimbursement Agreement with SFPP, L.P., increasing the total project cost to $4,668,738 to account for unforeseen site conditions and construction cost increases.

The construction of Sun Lakes Boulevard Extension requires comprehensive inspection services to ensure the safety and integrity of the pipeline while equipment passes over and around the relocated facility. Phase 4 of the project, Damage Prevention, was initially established to cover these inspection costs. The $117,395.50 cost reflected in this amendment accounts for actual inspection expenses that exceed the original Phase 4 budget of $100,000. This increase is driven by heightened oversight mandates, which necessitate additional inspection activities beyond the initial scope.

JUSTIFICATION:

Approval of this Amendment is necessary to ensure the City fulfills its contractual obligation to reimburse SFPP for costs associated with the oil pipeline relocation. Payment will also allow construction activities on the Sun Lakes Boulevard Extension to continue without interruption or risk to the pipeline's operational safety.

City staff have reviewed the submitted invoice and associated documentation and find the costs to be reasonable, necessary, and directly attributable to the project.

FISCAL IMPACT:

These inspection costs are eligible for reimbursement through the Transportation Uniform Mitigation Fee (TUMF) Funds administered by WRCOG and Measure Regional Arterial (MARA) funds administered by RCTC. Both grants will provide funding totaling $33,500,000 which includes design, construction, environmental monitoring, utilities relocation and environmental permitting.

The project shall be funded through Measure "A" Account No. 101-4900-431.93-16. City staff will submit monthly reimbursement invoices to RCTC and WRCOG.

An appropriation from the Measure "A" Fund to expenditure Account No. 101-4900-431.93-16 is required to fund Amendment No. 2 inspection costs.

ATTACHMENTS:

1. Resolution 2026-117.docx
2. Resolution No. 2024-170.pdf
3. Resolution No. 2026-19.pdf
4. Kinder Morgan Invoice.pdf