



Agenda Item No: 3.b

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: May 6, 2025

Submitted by: Samantha Byfield

From: Public Works

Subject:

Fiscal Year 2025-26 Capital Improvement Program - Study Session No. 3

Financial Impact:

The fiscal impact will be determined with final adoption of the Fiscal Year 2025-26 Capital Improvement Program Budget.

Summary:

The Capital Improvement Program (CIP) represents a critical part of the City's long-term planning and budgeting efforts. The CIP includes planned investments in City infrastructure including streets, facilities, parks, fleet, technology and other long-term capital assets. The projects proposed in the CIP are typically significant in scope and cost and often require several years to complete.

On February 18, 2025, and April 1, 2025, the City Council conducted study sessions related to the Fiscal Year (FY) 2025-26 CIP Budget. At the April 1, 2025, study session staff presented updates on the FY 2024-25 Street Rehabilitation project as well as the Underground Storage Tank (UST) Removal project. The City Council provided direction on the FY 2024-25 Street Rehabilitation project and requested additional information regarding the UST Removal project.

At this time staff will present updates on the UST Removal project and is seeking City Council direction regarding the removal of the UST and the preferred fueling method moving forward.

Recommendation:

Recommended Action:

It is recommended that the City Council take the following actions:

1. Receive and file the staff report and presentation; and
2. Provide direction to staff regarding the proposed fuel tank storage options.

Strategic Plan Statement:

This item is consistent with Strategic Plan Goal 1 by ensuring long-term fiscal sustainability, Strategic Plan Goal 2 by ensuring that public safety continues to be a high priority, and Strategic Plan Goal 5 by implementing public infrastructure to meet community needs.

Discussion:

The CIP Budget identifies major improvements to City infrastructure and includes new projects, upgrades to existing facilities and parks, rehabilitation of streets and roadways, as well as other infrastructure needs for the next several years.

A study session was presented on the UST Removal project at the April 1, 2025 City Council meeting. Two options were presented related to the project: 1) remove and replace the UST located at the City Maintenance Yard for an estimated cost of \$1,100,000 or 2) remove the UST and fuel offsite. Removal of the UST is estimated to cost \$220,000. Emergency operations and fleet electrification concerns were also addressed as items of consideration to be weighed in the UST replacement determination. Based on recommendations from the Fire and Life Safety Department regarding emergency preparation and to ensure continuity of operations and access to fuel during emergencies, staff recommended removal and replacement of the UST.

At the April 1st study session, Staff was asked to research a commercial fueling provider, Galaxy Energy Companies (Galaxy), that solicited the City about providing commercial fueling services and provide a further update.

Based on Staff's research, the City has an existing licensing agreement with Galaxy for the property at 480 S. Placentia Avenue, which the City owns. Under the terms of the agreement, Galaxy pays the City monthly rent of \$2,083.33 and a royalty fee based on the number of gallons sold per month as outlined in the table below.

Gallon Sold Per Month	Royalty Percentage
0 - 145,000	50%
145,001 - 195,000	40%
195,001 - 245,000	30%
245,001+	0%

For basis of comparison to the existing commercial fueling program with SC Fuels, the Galaxy data reviewed was from the reporting period of February 2024 to February 2025. During this period, the City received royalty fees from Galaxy totaling \$116,331.09, averaging \$8,948.55 per month. During this period, the City paid an average of \$4.56 per gallon with SC Fuels across unleaded fuel grades for purchases from a variety of commercial retail stations, including Galaxy, as well as SC Fuels-branded locations. The average cost per gallon across unleaded fuel types at Galaxy during this time was \$4.97 per gallon.

Galaxy is offering the City a discounted rate from their current average rate, reducing the cost to the cash price, which is 12 cents less per gallon. Galaxy will apply a further five-cent reduction per gallon off the cash price to provide a total discount of 17-cents per gallon. See the following table for cost comparisons.

	SC Fuels	Galaxy
Average Cost per Gallon Unleaded	\$4.56	\$4.97
Cash Discount	\$0.00	(\$0.12)

Additional Discount	\$0.00	(\$0.05)
Revised Cost per Gallon	\$4.56	\$4.80

After factoring in the discounted pricing, on average, the City would pay 24-cents more per gallon to purchase unleaded fuel from Galaxy versus SC Fuels. The increase in purchases from Galaxy would, however, result in higher royalties which would exceed the increased costs. See the following calculations for estimated costs and revenue.

	Bulk Fuel (City Yard)	SC Fuels	Galaxy
Average Cost per Gallon	\$3.56	\$4.56	\$4.80
City Average Gallons per Month	x 5,000	x 5,000	x 5,000
Cost per Month	\$17,800	\$22,800	\$24,000
	x 12	x 12	x 12
Annual Cost	\$213,600	\$273,600	\$288,000
Annual Royalty Revenue	\$0	\$0	\$144,000
Ongoing Costs	\$8,00	\$0	\$0
Total Annual Cost	\$221,600	\$273,600	\$144,000

The City would gain an estimated \$144,000 in royalty revenue per year. After deducting the royalties from the total annual cost of \$288,000, the City would pay \$144,000 to fuel at Galaxy. Comparatively, based on bulk fuel purchases at an average of \$3.56 per gallon the same amount of fuel would cost the City \$213,600 per year. There would be additional \$8,000 in costs for annual testing, inspections, fuel management software and environmental compliance.

Additional Considerations

In making the determination about the preferred fueling option, there are several other items for consideration.

Galaxy Agreement

The current agreement with Galaxy expires in October 2026. The updated agreement could impact the royalty revenue if percentages are changed under new agreement terms.

Generator Installation

Galaxy has stated they are willing to install a generator on site to support continued fueling during a power outage. It is yet to be determined whether the full cost of the installation would be paid for by Galaxy or if there would be costs to the City. Timing of the installation is also to be determined. The lead time for equipment of this nature is often four to six months. The current uncertainty regarding imported equipment may further impact the timing of installation.

Availability of Fuel During Emergency

If the City moves forward with fueling offsite at Galaxy, the amount of fuel available would be unknown. There would be no guarantee of enough fuel to support the City fleet and emergency generators for continuity of services in an emergency. Also, if the Galaxy site were active during an emergency, access to the site would be available to the City and the public,

which may impact availability of fuel.

Funding Availability for Other Priority Projects

If the determination is to remove the UST only and move fueling to an offsite commercial fueling program, there would be an estimated \$880,000 available to fund other priority projects (Attachment 1). The additional funding could fund a significant portion of one of the other high priority projects.

Staff is seeking Council direction on preferred fueling procedures moving forward.

Fiscal Impact Summary:

The fiscal impact will be determined with final adoption of the Fiscal Year 2025-26 Capital Improvement Budget.

Attachments

[CIP Project Priority List](#)