



CITY OF SIGNAL HILL
STAFF REPORT

2175 Cherry Avenue • Signal Hill, California 90755-3799

1/14/2025

AGENDA ITEM

**TO: HONORABLE MAYOR
AND MEMBERS OF THE CITY COUNCIL**

**FROM: CARLO TOMAINO
CITY MANAGER**

**BY: THOMAS BEKELE
PUBLIC WORKS DIRECTOR/CITY ENGINEER**

**SUBJECT: PUBLIC HEARING - INTRODUCTION OF AN ORDINANCE GRANTING A PIPELINE
FRANCHISE TO CARDINAL PIPELINE, L.P.**

Summary:

Franchises are legal agreements wherein a local jurisdiction provides a utility with a right to serve customers within its boundaries. Cardinal Pipeline, L.P. (Cardinal), a division of Crimson Midstream, Limited Liability Corporation is requesting to renew an existing pipeline franchise to operate its facilities within the City's right-of-way. At the City Council meeting of December 10, 2024, the City Council adopted a resolution declaring its intent to grant a 15-year franchise to Cardinal and set a public hearing for January 14, 2025. After reviewing the company's emergency response plan, insurance coverage, financial statements, and conducting additional due diligence with the City Attorney's Office, staff recommends the City Council adopt the proposed Ordinance extending the existing franchise with Cardinal.

Form of Notice: Notice was published in the Signal Tribune newspaper on January 3, 2025. Notice was posted in accordance with Signal Hill Municipal Code Section 1.08.010 at City Hall, the Signal Hill Public Library, Discovery Well Park, and Reservoir Park on or before January 3, 2025.

Strategic Plan Goal(s):

Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.

Goal No. 2 Community Safety: Maintain community safety by supporting public safety services and increasing emergency preparedness.

Recommendation:

Introduce the following ordinance, entitled:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SIGNAL HILL, CALIFORNIA, GRANTING A FRANCHISE TO CARDINAL PIPELINE, L.P. AND THE INTERESTS, RIGHTS, PRIVILEGES, AND DUTIES TO LAY AND USE PIPES AND APPURTENANCES FOR TRANSMITTING AND DISTRIBUTING OIL AND PETROLEUM PRODUCTS FOR ANY AND ALL LAWFUL PURPOSES UNDER AND ALONG THE PUBLIC STREETS, WAYS, ALLEYS, AND PLACES, AS THE SAME NOW OR MAY HEREAFTER EXIST, WITHIN THIS CITY.

Fiscal Impact:

There is minimal fiscal impact associated with the recommended action. A renewal of Cardinal’s existing franchise would authorize the continued collection of annual franchise fees. For the 2023 calendar year, the City received \$19,784.14 in franchise fees from Cardinal under Ordinance No. 2006-02-1356. The franchise fee is calculated based on the total amount and size of the pipeline; the franchise fee is further adjusted based on the consumer price index. The City updates the franchise fee annually based on inflation, and the Finance Department utilizes current fees evaluated against change in the Consumer Price Index (CPI) to prepare annual invoices. Upon the granting of the proposed franchise, Cardinal would be responsible for the continued payments of franchise fees. In addition, Cardinal submitted a payment deposit of \$7,000 to the City for labor and media publication costs associated with processing the pipeline franchise.

Table A: Proposed Active Lines by Cardinal

Size (inches)	2023 Rate/Foot (CPI adjusted)	2023 Feet	2023 Fees	2024 Rate/Foot (CPI adjusted) *	2024 Feet	2024 Fees *
6	\$1.375	8,956.80	\$12,312.17	\$1.443	8,956.80	\$12,928.81
10	\$2.281	3,276.00	\$7,471.96	\$2.395	3,276.00	\$7,845.49
Total		12,232.80	\$19,784.14		12,232.80	\$20,774.30

* Rates are determined upon publication of CPI for September 2024 by the U.S. Bureau of Labor Statistics

Background:

Franchises are legal agreements wherein a local jurisdiction provides a utility with a right to serve customers within its boundaries. A common type of franchise agreement is one between a city and a telecommunications provider for internet or cable service. Franchise agreements include the length of the service period, providing certain rights to the franchise holder to install infrastructure, and establish fees paid to the local municipality in exchange for franchise rights. Franchise agreements also establish expectations between the local municipality and the franchisee that regulate its operations, including ongoing and emergency maintenance. Signal Hill has pipelines that transfer crude oil to different destinations and these underground pipelines are maintained and operated by companies that specialize in transmission services.

Analysis:

In 2005, Equilon Enterprises Limited Liability Corporation, doing business as Shell Oil Products US, sold and transferred a portion of its pipelines to Cardinal. In 2006, the City Council adopted Ordinance No. 2006-02-1356, granting Cardinal a franchise to operate the acquired facilities within the City's right-of-way (Attachment A). Cardinal requested the renewal of its franchise agreement with the City and submitted a map of its pipelines (Attachment B). However, both the City and Cardinal required additional time to confirm the accuracy of the underground pipelines. Using the deposit paid by Cardinal, the City hired a Licensed Land Surveyor to interpret and prepare a map based on the legal description in the 2006 Franchise Agreement, approved by the City Council (Attachment C).

The map prepared by the Licensed Land Surveyor aligned with the 2006 Franchise Agreement. Consequently, the City established franchise fees based on the linear footage of the pipeline described in the 2006 Franchise Agreement. Section 4(b) of the Franchise Ordinance No. 2006-02-1356 requires continuous annual payments until the approval of pipeline transfer, pipeline abandonment, or actual pipeline removal. Cardinal continued to pay the fee under the current franchise; staff proposes renewing the franchise based on the 2006 records.

On December 10, 2024, the City Council adopted a Resolution declaring its intent to grant a franchise to Cardinal and set a public hearing for January 14, 2025. The total pipeline footage for the franchise is 12,232 feet of "active" pipeline. The proposed franchise would not change the total pipeline footage or classifications. For the City Council's reference, staff has attached a map depicting the location of the pipelines. Staff reviewed the following documents in developing the proposed ordinance:

- a. Emergency Response Plan that addresses how the Grantee will respond in case of oil leak or unanticipated maintenance issue.
- b. A complete inventory of the facilities, including descriptions and maps, showing pipeline location and depth (when available), the size (internal diameter) and lineal footage of each pipeline segment, and the date of each pipeline addition or deletion; active and inactive lines were identified.
- c. A certificate under penalty of perjury that Grantee has complied with all requirements of Part 195 (Transportation of Hazardous Liquids by Pipeline) of Title 49 of the United States Code of Federal Regulations.
- d. Insurance coverage demonstrating the Grantee carries sufficient liability insurance to cover the cost of injury, death, and property damage or destruction.
- e. Organizational structure regarding the corporate ownership and operational responsibility of the Grantee.
- f. Financial statement showing the financial condition of the Grantee as of a date not more than one (1) year prior to Grantee's application for the franchise.

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Next Steps:

Upon introduction of the Ordinance, the City Clerk's office will cause to be posted a summary of the Ordinance pursuant to Signal Hill Municipal Code Section 1.08.019 at City Hall, Discovery Well Park, Reservoir Park, and the Signal Hill Library on or before January 17, 2025. The City will also publish a summary of the Ordinance in the Signal Hill Tribune newspaper pursuant to Government Code §65091(a)(4) on January 17, 2025. Subject to the City Council's adoption of the Ordinance, the City Clerk would schedule the Second Reading of the proposed Ordinance for the January 28, 2025, City Council meeting.

Staff recommends the City Council introduce the proposed Ordinance for First Reading to grant a franchise to Cardinal Pipeline L.P. to allow for the continued transmission and distribution of petroleum in the public right-of-way as specified (Attachment D).

Reviewed for Fiscal Impact:

Siamlu Cox

Attachments:

- A. Cardinal Franchise Ordinance No. 2006-02-1356
- B. Map of Pipelines (Renewal Application)
- C. Map of Pipelines (City Licensed Surveyor Interpretation)
- D. Proposed Franchise Ordinance