



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of April 14, 2020
Second Reading Ordinance for the City Council Meeting of April 21, 2020

DATE: March 30, 2020

TO: Peter Zaroni, City Manager

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<p>Granting Pipeline Easements and a Construction Yard License to Dean Pipeline Company, LLC</p>

CAPTION:

Ordinance authorizing three non-contiguous 30-foot wide pipeline easements and one construction yard license of 1.12 acres to Dean Pipeline Company, LLC to construct one new 8-inch pipeline for the transportation of oil, gas, or other hydrocarbon product located on City property operated by the City Water Department, two of the pipeline easements are located southeast of the O.N. Stevens Water Treatment Plant and third pipeline easement on property north of IH37 by the O.N. Stevens Spillway Tract; located in Council District 1, and appropriating \$108,810 into the City's Water Department Operating Fund No. 4010.

SUMMARY:

Dean Pipeline Company, LLC (Dean Pipeline) is currently constructing a pipeline from San Patricio County to the City's industrial area. This ordinance conveys three non-contiguous 30-foot wide pipeline easements adding to a length of approximately 2,787 linear feet (lf) and one construction yard license approximately 1.12 acres to Dean Pipeline to construct one 8-inch pipeline for the transportation of oil, gas, or other hydrocarbon product across City properties. The revenue received from Dean Pipeline in the amount of \$108,810 will be appropriated into City's Water Department Operating Fund No. 4010.

BACKGROUND AND FINDINGS:

Dean Pipeline Company, LLC (Dean Pipeline) is currently constructing a pipeline from San Patricio County to the City's industrial area. Dean Pipeline has requested a 30-foot wide pipeline easement on three non-contiguous tracts and one construction yard license, located on City property under the jurisdiction of the Water Department. Listed below are the detail:

- Tract 76 – Pipeline easement for 251.11 lf, located southeast of the O.N. Stevens Plant Tract as shown on Maps Exhibit A – Tracts 76 and 77
- Tract 77 – Pipeline easement for 884.99 lf, located southeast of the O.N. Stevens Plant Tract as shown on Maps Exhibit A – Tracts 76 and 77
- Tract 82 – Pipeline easement for 1,651.04 lf, located north of IH37 by the O.N. Stevens Spillway Tract as shown on Maps Exhibit B – Tracts 81 and 82
- Tract 81 – Construction yard license for approximately 1.12 acres, north of IH37 by the O.N. Stevens Spillway Tract as shown on Maps Exhibit B – Tracts 81 and 82

Dean Pipeline is limited to one, 8-inch pipeline to transport products like natural gas, gaseous products, crude oil and other hydrocarbons or minerals whether in gaseous or liquid form. Dean Pipeline will use horizontal boring to construct their pipeline under existing City's water transmission lines with a minimum vertical clearance of 12 feet. The construction yard license will be used for parking, assembling of the pipeline, and the storing of equipment and materials. The license will be for a term of one year beginning on April 1, 2020 and terminating on April 1, 2021. City will closely monitor the boring operations, as well as any other construction adjacent to the City's water transmission lines.

The City has agreed to grant the three non-contiguous pipeline easements for a total amount of \$103,770 with Tract 76 - \$8,413; Tract 77 - \$38,190 and Tract 82 – \$57,167. This amount of revenue is calculated based on pipe size, pipe length, and easement areas. The revenue for the construction yard license on Tract 81 is \$ 5,040 based on a 15% rate of return of the land value for a one-year period. The three easements may be revocable by the City if Dean Pipeline violates or fails to correct any of the laws, rules, or regulations of the Department of Transportation, Railroad Commission, and certain City ordinances.

ALTERNATIVES:

Granting the pipeline easements and construction yard license makes good use of the City's vacant areas of land and generates revenue for Water Department's operations. The City could alternatively deny the easement to Dean Pipeline. This could lead to legal action of eminent domain proceedings as they are registered as a common carrier pipeline company with eminent domain rights in the State of Texas.

FISCAL IMPACT:

The grant of these pipeline easements and construction yard license produces a one-time total revenue of \$108,810. Listed below are the details:

Tract 76 - \$8,413
Tract 77 - \$38,190
Tract 82 - \$57,167 and
Tract 81 - \$ 5,040

The revenue will be appropriated into City's Water Department Operating Fund No. 4010.

Funding Detail:

Fund: Water Department 4010
Deposited into revenue account upon receipt of funds

RECOMMENDATION:

City staff recommends approval of the Ordinance which grants Dean Pipeline the right to construct its pipeline across the City's land. The revenue to be received by the City will be appropriated to the Water Department's Operating Fund No. 4010.

LIST OF SUPPORTING DOCUMENTS:

Maps (3)
Ordinance
Revocable Easements (3)
Construction Yard License