



STAFF REPORT

TO: Board of Commissioners

FROM: Chris Munson, Facilities Manager
Natalie Teeter, Planner Analyst

DATE: April 26, 2022

SUBJECT: **Underground Storage Tank Replacement Funding Options**

Recommendation / Proposed Motion

- **Recommendation:** Receive report; provide direction to staff.

Policy Implications

Senate Bill No. 445 (Stats. 2014, Ch. 547, effective September 25, 2014) requires the permanent closure of all single-walled underground storage tanks (USTs) by December 31, 2025. To remain in compliance with the law, owners and operators must replace or remove any single-walled USTs and/or single-walled piping that is owned or operated by December 31, 2025, in accordance with Ch. 6.7, section 25298 of the Health and Safety Code and Title 23, section 2672 of the California Code of Regulations. Failing to meet the permanent closure deadline may result in fines of \$500 to \$5,000 per UST for each day of violation beginning January 1, 2026.

District Major Objective/Goal

Objective #1 – Sustain and enhance the Harbor’s finances – provide for needed infrastructure, expand revenue sources, and pay down long-term liabilities.

Objective #3 – Maintain and enhance a boater-friendly atmosphere at PSL for both commercial and recreational boaters.

Fiscal Implications / Budget Status

The Underground Storage Tank Replacement Capital Project was proposed as part of the FY 2021-22 budget. Due to funding shortfalls, the project was deferred until the FY 2022-23. B&T Service Station Contractors provided an estimate of \$596,000 for the replacement project, excluding additional costs for permitting or any site remediation/cleanup, if it is determined the UST is leaking or poses a threat to human health, safety, and the environment.

Alternatives Considered

The following actions were considered but are not recommended at this time:

- Permanently closing and removing the underground storage tank (UST), which would remove the only boat fueling (diesel) station in Avila Beach but would reduce costs by eliminating the cost to replace the UST (\$596,000) and other components, approximately \$10,000 per year in permitting and contractor costs, and over 150 hours of staff time in fueling and maintenance annually. The District receives approximately \$25,000 annually in diesel sales.
- Replace the existing underground storage tank with a smaller (approx. 5,000 gallon), above-ground storage tank (AST), which would reduce the number of available parking spaces in Harford Landing, but could reduce ongoing operating costs in the long-term, if an acceptable above-ground location could be identified and permitted.

Background

The District's existing underground storage tank (UST) was installed in 1978 and is a single-walled fiberglass tank with a design capacity of 12,000 gallons. This tank is located in the Harford Landing parking lot, between the Harbor District's Main Office and the base of the Harford Pier. Piping for the tank, which travels from the parking lot to the diesel fuel facility at the end of the pier, was replaced with double-walled piping in 2010 and cost about \$118,000 to complete; the Central California Joint Cable/Fisheries Liaison Committee (CCJCFLC) provided an \$81,209 grant for this replacement project. In 2012, the CCJCFLC awarded another grant to the District for \$15,525 to replace several of the original mechanical components of the UST.

In 2015, the State Water Resources Control Board notified the District of new legislation affecting owners of single-walled USTs: Senate Bill 445 (SB445). This bill requires the permanent closure of all single-walled tanks by December 31, 2025. As such, the District is required to either remove its existing 12,000-gallon UST or replace it with a new double-walled UST, meeting the requirements of the Health and Safety Code and Title 23 of the California Code of Regulations.

For the past several years, staff has been diligent in seeking out various grant opportunities that may help finance the replacement project. The two most notable programs include the State Water Board's Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) Program and the Central California Joint Cable/Fisheries Liaison Committee's annual grant cycle. The RUST Program provides two general funding mechanisms: grants and loans; the District does not qualify for the program's grant funding, but could qualify for a loan. Furthermore, despite repeated attempts in applying for a grant with the CCJCFLC's program, the UST replacement project has been rejected three times.

Discussion

The District currently contracts with B&T Service Station Contractors to provide fueling system compliance and maintenance services, as well as monthly and annual inspections. In March 2020, B&T provided an estimate for the replacement of the UST for \$383,515. Anticipating cost increases due to supply shortages, inflation, and the approaching deadline; staff requested an updated estimate in early 2022.

The \$450,000 estimate was presented to the Board during its April 14, 2022, Budget Workshop. However, B&T provided the revised estimate shortly after this workshop, totaling \$596,000, and included herein as Attachment 1. The actual cost will likely be driven down with the competitive bid process but will likely continue to increase the longer it is postponed with inflation and the approaching deadline. It will also increase if unforeseen contamination is discovered.

Staff supports replacing the UST as proposed, but is presenting two alternatives to consider:

1. Permanently closing the diesel facility – Diesel sales generate about \$25,000 in sales annually and costs about \$10,000 to operate in permitting, repairs, and monitoring costs. These costs do not include staff time for refueling, maintenance, ordering and permitting (Over \$7,500/year). Even excluding District time and resources, at a \$15,000/year rate, it would take 40 years to recoup the costs of the tank replacement alone. That does not include replacement of the dual walled line or the tank itself which will likely be needed again in 40 years. Other components and costs of the diesel facility include the dispenser, monitoring system, and camels.

Although the District would save significant costs by closing the diesel facility, staff does not recommend this alternative. The availability of diesel is necessary for the viability of the port to sustain larger vessels, support the commercial fishing fleet, and fuel charter vessels. While the diesel facility loses money directly, its continued operation is consistent with District goals and a defensible use of public funds as it supports the port's viability and existence. Revenues from moorings, charter lessees, and boat related services will steeply decline as a result, in addition to the indirect economic benefits of commercial fishing. Closing the diesel facility will also have costs associated with permitting and removal of the tanks.

2. Replacing with an Above Ground Storage Tank (AST) – An AST would significantly reduce upfront and operating costs. An AST would be about half the cost of an UST installed, but there would still be costs with the UST removal. Additionally, by reducing the size to 5,000, on-going permitting costs and requirements would be significantly reduced but it would require more frequent refueling, which will require more staff time and potentially increase fuel price.

Replacing with an AST could require removing 4-6 parking spaces in the Harford Landing if it is to be replaced in its existing location, which would be a significant impact. Furthermore, the existing location is not likely to be approved by the Coastal Commission due to its exposure to the coast, extending and installing pipe to a new location would be another cost. B&T mentioned that they had previously assessed an AST and deemed it unfeasible since permitting would likely require it to be located up on the hill above the boatyard to be protected from storms and sea level rise. District staff was unable to verify this, but it is possible. Permitting a new tank in a new location will likely be a difficult process.

Due to the reduction in parking, permitting requirements, and potential infeasibility; switching to an AST is not seen as a preferred alternative.

Cost Recovery:

The District currently sells diesel at 35¢ above cost per gallon for mooring patrons and 69¢ for the general public. Mooring patrons account for the majority of sales. While the general public cost is in line with Santa Barbara, the lowest cost nearby harbor, the mooring patron cost is the lowest of all of them. For comparison, Morro Bay is over \$1 more per gallon than the Port San Luis mooring patron rate.

The nearest fueling stations in relation Port San Luis include Morro Bay, Santa Barbara, and Moss Landing. Current prices of diesel are provided below:

Location	Diesel - General Public (per gallon)	Diesel - Mooring Patrons (per gallon)
Port San Luis	\$5.47	\$5.11
Morro Bay (DeGarimore's Marine)	\$6.19	N/A
Santa Barbara Harbor	\$5.28	N/A
Moss Landing	\$6.09	N/A

If the Harbor District is required to cover the full cost of the UST replacement, staff will recommend the Board consider removing discounts and/or increasing rates to fully fund the replacement cost. Before considering rate revisions, staff recommends that the Board wait to see if the Joint Cable/Fisheries Liaison Committee or other agency is able to consider assistance in funding the UST replacement at their upcoming grant awards. In the past, the discounts were defensible due to grant assistance from the Liaison Committee. Staff will also check again for alternate granting agencies. However, due to the impending replacement deadline, this is the last year we will be able to pursue grants before proceeding with internal funding options.

Conclusion

Staff recommends continued funding of the full current cost of an UST replacement in the 2022/2023 FY budget. Staff recommends the Board wait until the results of grant funding options are known prior to seeking a revised rate schedule.