TO:       HONORABLE CITY COUNCIL

FROM:     CITY MANAGER                DEPARTMENT: UTILITIES

DATE:     JULY 11, 2005               CMR:302:05

SUBJECT:  RESOLUTION DETERMINING UNDERGROUND DISTRICT NO. 40
          PROPERTY OWNERS WHO ELECT TO PAY UNDERGROUND
          CONVERSION COSTS OVER A PERIOD OF YEARS

RECOMMENDATION
Staff recommends that Council approve and authorize the Mayor to execute the attached Resolution which
allows the use of funds available in the Electric Reserve for Underground Connections, to provide loans
and assess the property owners in Underground District No. 40 who have elected the option of using such
loans to pay electric service conversion costs over a period of 10 years.

BACKGROUND
At its meeting on March 22, 2004, Council adopted Ordinance No. 4822 creating Underground Utility
District No. 40 in the 1700 through 1900 block of Edgewood drive area. The ordinance provided notice
that any property owner located within the district had the option of paying the cost of service conversion
over a period of ten years, with interest. A total of 9 of the 18 property owners in the district selected the
defferred payment plan. The underground project is a general benefit underground district, with the City
paying all costs except the individual property underground service conversions.

DISCUSSION
The conversion costs for the 9 property owners who have chosen the deferred payment plan total
$41,743. The remaining property owners chose to be responsible for their own financial arrangements.
Assessments will be secured by liens on each property for the ten-year term of the loan. Repayment to the
City will be made through the owner’s property tax bills. As mandated in the Palo Alto Municipal Code,
interest rates were established the week preceding adoption of the ordinance forming the underground
district. Using this rate guideline, the interest rate for the loans will be 5.1%. A $50 loan-processing fee
is added to each assessment.

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 RESOURCE IMPACT
On August 21, 1984, Council approved the funding of individual electric connections from the Electric System Improvement Reserve, thereby establishing the reserve for underground connections. As of August 16, 2004, the balance in the reserve for underground connections was $664,000. This is the 17th underground district formed since Council established the Reserve for the Underground Connections to pay to individual property service conversions. This method of assisting with service conversion cost has proven to be safe, effective and popular.

The total estimated service conversion cost for all customers in Underground District No. 40 is $75,716. The City’s total cost for Underground District No. 40 is estimated to be $257,000.

 POLICY IMPLICATIONS
This recommendation is consistent with the Council approved Utilities Strategic Plan Key Strategy #7, “Implement programs that improve the quality of the environment”.

 ENVIRONMENTAL REVIEW
This project is categorically exempt from California Environmental Quality Act (CEQA).

 ATTACHMENTS
A: Resolution
B: Property Owner List
C: Underground District 40 - Boundary Map

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Director of Utilities

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