TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DATE: JANUARY 14, 2008

DEPARTMENT: UTILITIES

CMR: 104:08

SUBJECT: ADOPTION OF A RESOLUTION DETERMINING UNDERGROUND UTILITY DISTRICT NO. 41 PROPERTY OWNERS WHO ELECT TO PAY UNDERGROUND CONVERSION COSTS OVER A PERIOD OF YEARS

RECOMMENDATION
Staff recommends that Council approve the attached Resolution determining Underground Utility District No. 41 property owners electing to pay conversion costs over a period of years, determining and classifying unpaid assessments, and funding loans to property owners from the Reserve for Underground Connections.

BACKGROUND
At its meeting on October 24, 2005, the City Council adopted Ordinance No. 4882 creating Underground Utility District No. 41 (see attached Exhibit C for Background and History on Underground District) for the Cowper Avenue, Oregon Expressway, Middlefield Road and Colorado Avenue area (see Attachment D). 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 33 of the 174 property owners in the district selected the deferred 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 33 property owners who have chosen the deferred payment plan total $201,306. 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 5.12%. A $50 loan-processing fee is added to each assessment.

**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 June 30, 2007, the balance in the reserve for underground connections was $698,000.

The total estimated service conversion cost for all customers in Underground Utility District No. 41 is $201,306. The City’s total contribution and related cost for Underground Utility District No. 41 is estimated to be $2,500,000.

**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: Background and History on Undergrounding of Electric Utilities  
D: Underground District 41 – Boundary Map

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