



City of Palo Alto

City Council Staff Report

(ID # 7002)

Report Type: Consent Calendar

Meeting Date: 8/15/2016

Summary Title: Underground District No. 47 - Loan Option for Conversion Costs

Title: Adoption of a Resolution Determining Underground Utility District Number 47 Property Owners who Elect to pay Underground Conversion Costs Over a Period of Years

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council:

Approve a Resolution (Attachment A) determining Underground Utility District 47 properties electing to pay 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 the meeting of January 14, 2013, Council adopted Ordinance No. 5180 creating Underground Utility District No. 47 encompassing the area bounded by Homer Avenue, Cowper Street, Addison Avenue, and Middlefield Road. 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 6 of the 82 property owners in the district selected the deferred payment plan. This report was prepared in order to proceed with assessment of six (6) properties and the funding of the deferred costs of the underground conversions.

Discussion

The total estimated conversion cost for the six property owners who have chosen the deferred payment plan is \$30,236. Property owners shall receive loans for the actual conversion costs. 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. Interest rates were established as specified in section 12.16.096 of the Palo Alto Municipal Code. Using this rate guideline the interest rate for the Underground Utility District No. 47 loans will be 4.35 percent.

A loan processing fee of \$208 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, 2015, the balance in the Reserve for Underground Connections was \$730,000.

Policy Implications

This recommendation is consistent with the Council approved Utilities Strategic Objective BP3 - Replace infrastructure before the end of its useful life.

Environmental Review

The undergrounding project, and the associated adoption of the Resolution referenced in this report is categorically exempt from the California Environmental Quality Act pursuant to Public Resources Code Section 15302(d) (conversion of overhead electric utility distribution system facilities underground).

Attachments:

- Attachment A: Resolution - Underground District 47 Loan Option (PDF)
- Attachment B: Underground District 47 Boundary Map (PDF)

Not Yet Approved

Resolution No. _____

Resolution of the Council of the City of Palo Alto Determining Underground Utility District No. 47 Property Owners Who Elect to Pay Underground Conversion Costs Over a Period of Years, Determining and Classifying Unpaid Assessments, and Funding Loans to Property Owners from the Electric Reserve for Underground Connections

The Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto amended Section 12.16.020 of Chapter 12.16 of Title 12 of the Palo Alto Municipal Code by establishing Underground Utility District No. 47 on January 14, 2013, by adopting Ordinance No. 5180.

SECTION 2. The owners of certain properties have exercised the option offered in said Ordinance and in Section 12.16.092 of said Code, to pay the cost over a period of years with such obligation secured by special assessments. A list of the properties owned by persons who have exercised the option to pay the costs of converting their electric service connection to underground locations over the period of ten (10) years as indicated thereon is attached hereto as Exhibit "A" and hereby made a part hereof.

SECTION 3. It appears to this Council that in its proceedings under and pursuant to Resolution of Intention to form said District, being Resolution No.9285, adopted on September 10, 2012, the assessments proposed to be levied should be made to mature over a period of ten (10) years.

SECTION 4. The public convenience and necessity required that the proceedings heretofore taken with respect to said underground utility districts being changed and modified to provide that the rate of interest to be paid by said owners of said properties shall be three quarters of one percent (3/4 of 1%) in excess of the rate shown in the New York Bond Buyer Index of Municipal Bond Average Yields for 20 bonds for the week next preceding the day on which the Underground Districts were formed.

SECTION 5. The assessments now remaining unpaid are as shown on Exhibit "A" attached hereto and by this reference made a part hereof, and that the aggregate amount thereof is \$30,235.61. This Council hereby determines that the owners of the properties shown on Exhibit "A" hereto have elected to pay the cost of converting electric service connections to underground locations over the period of ten (10) years and that said costs shall represent the unpaid assessments in these proceedings.

SECTION 6. The City shall advance all loans to assessed property owners from available funds, and shall succeed to all rights under the assessment and to all rights which would have accrued if bonds had been issued as provided in Section 13.04.170(i) of Chapter 13.04 of Title 13 of the Palo Alto

Not Yet Approved

Municipal Code. Loans for the Underground District will be funded to the assessed property owners from the Electric Reserve for Underground Connections. The total estimated principal amount to be funded by this Reserve will be \$30,235.61 pending any changes in actual moneys loaned. The principal plus interest and loan processing fee shall be amortized and repaid through the owner's property taxes for a period of ten (10) years.

The loans shall bear interest from the latest of the date of completion and energizing of underground electrical facilities, or the date of disbursement of the loan. The rate of interest will be 4.35 percent. Principal payments will be refunded to the Reserve for Underground Service Connections and interest will be added to the Electric Rate Stabilization Reserve.

SECTION 7. A fee of \$208.00 is added to the principal amount of each loan for loan processing.

INTRODUCED AND PASSED

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

Approved As To Form:

City Manger

Senior Asst. City Attorney

Director of Utilities

Director of Administrative Services

Not Yet Approved

EXHIBIT A
List of Property Owners

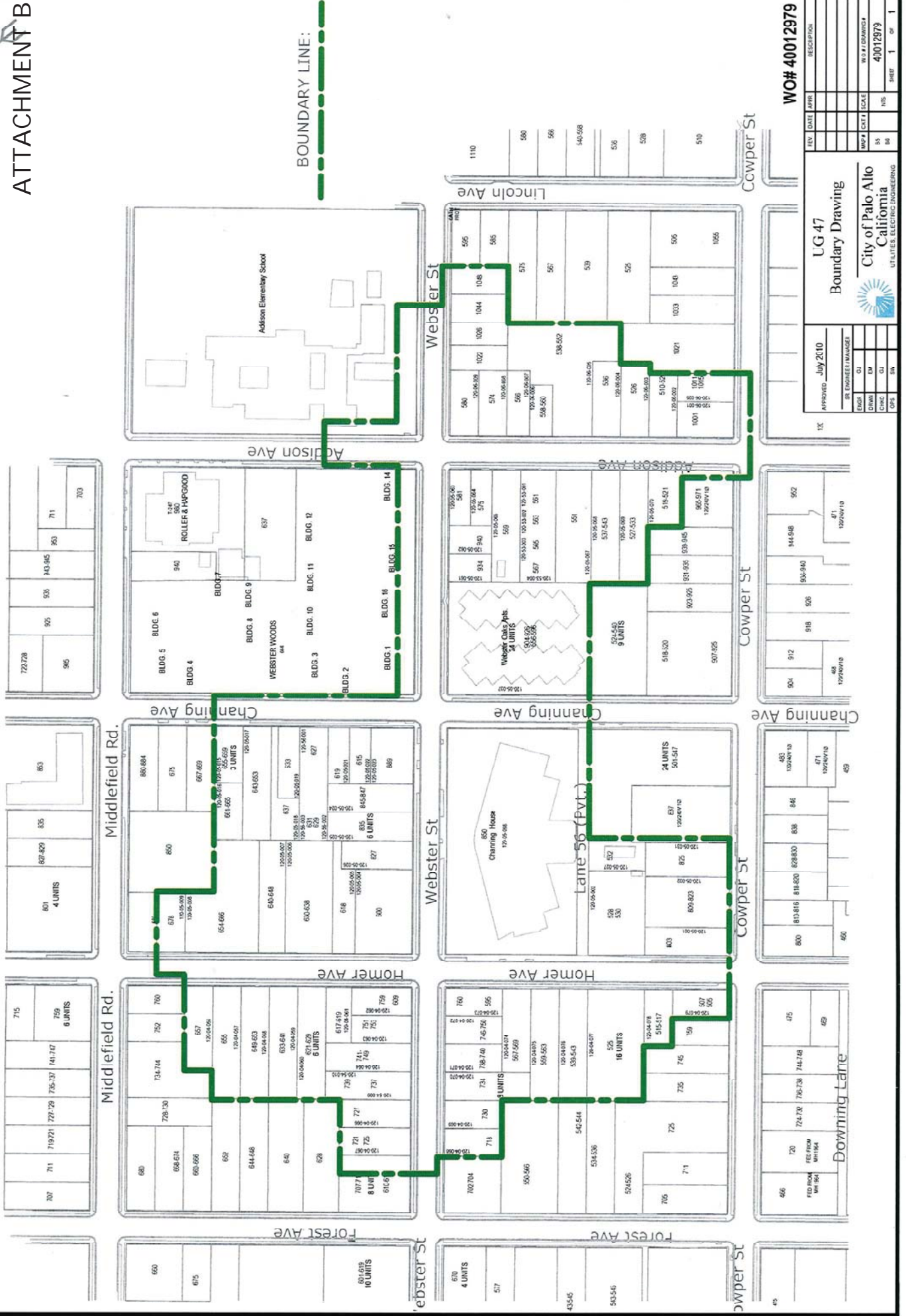
Property Owners (s)	Parcel No.	Address	Loan Amount
Edith Rudesin (Property Manager)	120-04-077	525 Homer Ave	\$5,880.99
Nancy Fritz	120-04-078	517 Homer Ave	\$3,874.75
Stephanie Chapple	120-04-075	559-563 Homer Ave	\$5,334.18
Stephanie Chapple	120-05-070	519-521 Addison Ave	\$4,267.18
Franklin Trust	120-06-002	510-520 Addison Ave	\$5,293.75
Walter Foley	120-04-079	505-507 Homer Ave	\$5,584.76
		Total	\$30,235.61

Proposed Underground District No. 47

Homer / Cowper / Addison / Middlefield / Channing / Webster



ATTACHMENT B



BOUNDARY LINE:

WO# 40012979

APPROVED July 2010

BY ENGINEER/INCHARGE

DATE: 07/20/10

SCALE: AS SHOWN

PROJECT: UG 47 Boundary Drawing

CITY OF PALO ALTO CALIFORNIA

UTILITIES ELECTRIC ENGINEERING

REV	DATE	DESCRIPTION

DRW: []

CHK: []

APP: []

DATE: []

SHEET 1 OF 1