



Legislation Text

File #: 17-294, **Version:** 1

TO: Mayor Collins and Town Council Members

FROM: Kevin Burke, Town Manager
Paul Mood, P.E., Town Engineer
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DATE: September 14th, 2017

DEPARTMENT: Public Works and Engineering Department

AGENDA TITLE:

Discussion of Remaining SRP Undergrounding Districts - 30 Minutes

Council Goals

Finances - Identify funding mechanism for CIP

CIP - Maintain, repair and add critical infrastructure to the Town

CIP - Identify and dedicate sustainable funding over the long term to capital projects

SUMMARY STATEMENT:

Undergrounding of overhead utility lines has been a staple of Paradise Valley for decades. The Town has 5 remaining districts to complete. This effort has been a partnership between the Town, the residents of each district, and the utility company. This study session proposes that the Mayor and Council consider a new contribution allocation.

This is important and timely because the FY2017-22 Capital Improvement Program includes the undergrounding of SRP Keim District, located near 44th Street and Keim Drive. The Town has been working with SRP on the design of the project and began the public outreach portion, requesting resident contributions in accordance with Town Policy. The current contribution policy appears unlikely to be successful.

Background

There are two Town Resolutions that address cost sharing for overhead utility line conversion, specifically SRP undergrounding. Resolution 577, adopted in 1988 (attached), as well as Resolution 813, adopted in 1994 (attached), lay the ground work for Town contributions to Improvement Districts. For SRP districts, Resolution 577 specifically states:

The Town of Paradise Valley establishes a general and flexible policy whereby the Town may pay a percentage of the total cost of the improvement, provided that the improvement will serve an existing residential area. The types of improvements and ratio of contributions which are within the scope and intent of this resolution are: [...]

- (e) In the Salt River Project Electric Service Area, the Town may pay two thirds (66.7%) of the cost of undergrounding utility lines not paid by Salt River Project.

Historically, this has been applied as the Town contributing 66.7% of the project cost while residents in the district cover the other 33.3%. The third financial resource to overall SRP Undergrounding costs is SRP Aesthetics Funds, which until more recently, have been a minor component of the overall cost (see table below). Both Resolutions are silent on how the Aesthetic Funds are incorporated into the overall cost sharing ratio. The cost ratio has been consistently applied as:

Town Portion = (Total Project Cost X 66.7%) - Aesthetic Funds

Resident Portion = Total Project Cost X 33.3%

When Stanford Drive was reconstructed, the Town had an opportunity to complete the Stanford Drive Undergrounding District and the Homestead Lane Undergrounding District at a significantly lower cost due to the on-going roadway construction but had to authorize the project under a short timeline. The Town Council utilized the flexibility from Paragraph 3 of Resolution 577 (below) to pay for 100% of the conversion costs. Paragraph 3 of Resolution 577 states:

This policy establishes a flexible guideline only, and the Paradise Valley Town Council may pay more or less or none of the costs of a proposed improvement which is within the scope of this policy, depending on the amount of money available for such cost-shared improvements and specifically designated for this purpose in the current operating budget of the Town of Paradise Valley at the time the proposed improvement is considered by the Paradise Valley Town Council; the probable impact of the proposed improvement on the public health, safety, welfare, and aesthetics of the Town of Paradise Valley; and the extent of the proposed improvement.

The Keim District is comprised of 14 lots, with a resident contribution amount of \$26,699 per lot in order to fund the district. To date, only three residents have committed to contributing to the district. It is apparent that at the current resident cost per lot for this district it is unlikely to meet the resident funding threshold.

At the March Capital Improvement Plan Budget Presentation there was some discussion regarding inequalities in resident contributions between SRP and APS Undergrounding Districts. Town Council requested that staff approach SRP to discuss future projects and possible ways to lower overall and resident project costs. Staff proceeded with four goals:

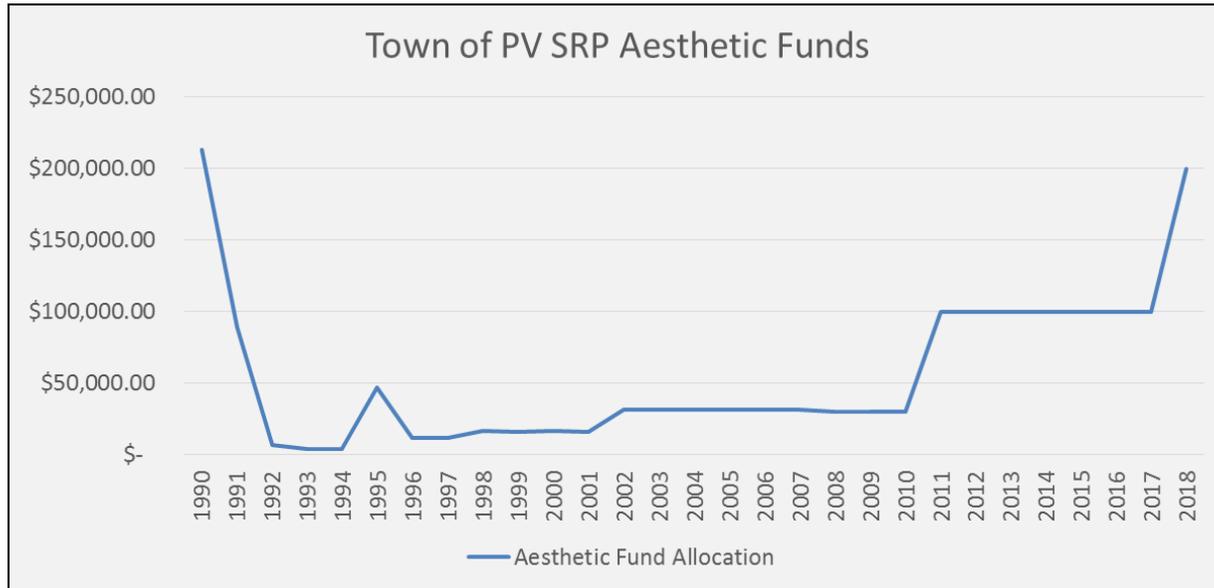
1. Seek increased SRP Contributions
2. Decrease Resident Contributions
3. Stay within the CIP Budget - meaning General Fund commitments
4. Don't significantly delay any projects

Staff was able to meet with SRP and learned there would be an increase in the annual allocation of Aesthetic Funds from \$100,000 to \$200,000. SRP Aesthetics does limit the Town to only accruing three years' worth of allocations at a time (i.e. \$600,000) but the Town is now able to borrow against future Aesthetic Funds Allocations, which means the Town could apply up to \$1,200,000 worth of

Aesthetic Funds every 6 years to one project.

Proposal

With the recent increase in annual aesthetic allocations and some changes to the program, Town staff has identified an opportunity to revisit the cost sharing calculation to both lower the Town's overall cost as well as the residents'.



In the proposed approach, Aesthetics Funds are taken off the top of the project costs rather than just the Town's portion, benefiting both the Town and residents equally. This significantly lowers the resident contribution per lot. The proposed cost ratio is:

$$\text{Town Portion} = (\text{Total Project Cost} - \text{Aesthetic Funds}) \times 66.7\%$$

$$\text{Resident Portion} = (\text{Total Project Cost} - \text{Aesthetic Funds}) \times 33.3\%$$

The attached Cost Model Comparison document shows what this proposed approach does to future projects. In short, the Town can complete all remaining SRP Undergrounding Districts by Fiscal Year 2026, under budget, and with lower resident contributions. Per lot resident contributions decrease between 25-50% depending on the district. This model reprioritizes the 38th Place and Bethany Home Project before the 40th Street and Lincoln Project due to overall project cost.

Staff requests that Mayor & Council approve this new allocation formula. Staff does not believe it takes any modification to the Resolution since it currently provides such a significant degree of flexibility as evidenced in the Stanford Undergrounding Project.

ATTACHMENT(S):

- PowerPoint Presentation
- Cost Model Comparison
- Resolution 577
- Resolution 813

