

Agenda Report

June 10, 2019

TO: Honorable Mayor and City Council

FROM: Water and Power Department

THROUGH: Municipal Services Committee (April 24, 2019)

SUBJECT: ADOPT A RESOLUTION SUSPENDING COLLECTION OF THE UNDERGROUND SURTAX THROUGH JUNE 30, 2022

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act ("CEQA"), as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and;
2. Adopt a resolution suspending collection of the light and power surtax per Pasadena Municipal Code ("PMC") Chapter 4.24 – underground utilities special activity fund ("Underground Surtax") through June 30, 2022 for the reasons stated below.

BACKGROUND:

On February 4, 2019, the City Council approved staff's recommendations to maintain the Underground Surtax and use of Underground Surtax Funds for the purposes stated in PMC Section 4.24.050, including but not limited to continued construction of underground utility projects in both existing and future underground utility districts created pursuant to PMC Chapter 13.14 – underground utility districts ("Underground Utility Districts Program").

The Underground Surtax was established in 1966. Per the City's current schedule of taxes, fees, and charges, the Underground Surtax rate starts at 4.34% for the first \$1,000 of electric charges and decreases to 1.21% for amounts over \$25,000. It costs the typical 500 kwh-per-month residential customer approximately \$44 per year. The Underground Surtax generated approximately \$5.8 million in FY2018.

Per PMC Chapter 4.24, revenues from the Underground Surtax are deposited into the Underground Utilities Surtax Fund (Fund 206), which can only be used for its stated purposes that include: Additions to, and construction and extension of underground utility lines; conversion of overhead to underground utilities; street lighting improvements in

connection with such conversions; and replacement and repair of underground utility lines in connection with such conversions within the city.

The Underground Utilities Surtax Fund cash and assets totaled approximately \$50.7 million as of June 30, 2018. Staff anticipates that FY2019 expenditures funded from Fund 206 will be about equal to, or below, the amount of Underground Surtax revenues collected during FY2019. Therefore, staff anticipates the end of year fund balance will remain about the same or increase slightly. At the current and projected spending levels, staff estimates it will take approximately ten years to fully utilize the current Underground Utilities Surtax Fund balance for its stated purposes if collection of the Underground Surtax is not suspended.

In order to accelerate the drawdown of the Underground Surtax Fund balance, staff recommends the City Council adopt a resolution suspending collection of the Underground Surtax effective July 1, 2019 through June 30, 2022. Underground Surtax collection would resume at the current Underground Surtax rates on July 1, 2022. To be clear, the intent is to maintain the City's lawful authority to collect the Underground Surtax and no voter approval is necessary to temporarily suspend its collection in order to reduce the burden on the City's ratepayers and taxpayers.

COUNCIL POLICY CONSIDERATION:

The recommended use of Underground Surtax funds is consistent with PMC Chapter 4.24 and the City Council's goals to: (i) maintain fiscal responsibility and stability; (ii) improve, maintain and enhance public facilities and infrastructure; (iii) improve mobility and accessibility throughout the City of Pasadena; (iv) support and promote the quality of life and the local economy; and, (v) ensure public safety.

ENVIRONMENTAL ANALYSIS:

The proposed suspension of the Underground Surtax is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

Suspending collection of the Underground Surtax for three years will eliminate approximately \$18-20 million in revenues that otherwise would have been deposited into the Underground Utilities Surtax Fund. Sufficient funds remain in the Underground Utilities Surtax Fund to fund all anticipated eligible capital projects over the next three years.

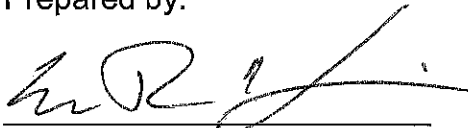
The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



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Approved by:



for STEVE MERMELL
City Manager