



Staff Reports

File #: 2181-2019, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Phil Brun, Utilities Director

Prepared By: Michael J. Hether, Senior Civil Engineer

TITLE:

Penny Lane Water Main Reimbursement Agreements

RECOMMENDED ACTION:

Authorize the Utilities Director to execute agreements with the property owners of 2137, 2139 and 2159 Penny Lane to reimburse the City for the property owners' fair share proportionate costs associated with a water main extension project to provide City water service to the properties, which were recently annexed into the City of Napa, and determine that the project is exempt from CEQA.

DISCUSSION:

In April 2017, three property owners along Penny Lane with parcel addresses of 2137, 2139 and 2159 Penny Lane (see attached map) contacted the City of Napa Water Division to explore available options for connecting to the City's water system. At that time, all parcels were located just beyond City limits and accordingly, the City's water distribution system (i.e. water mains) did not extend beyond the City's jurisdictional boundary. City staff informed all property owners that connection to the City's water mains would require annexation, as well as payment for the City's actual fair share proportionate construction costs for extending the water main to serve said parcels, water capacity charges and meter set fees.

After considering the information provided by staff, all property owners sought approval from the City and the Local Agency Formation Commission of Napa County to annex their properties into the City. In early 2018, City staff was informed that the annexation was approved. In late 2018, City staff completed a design and estimate of construction costs for each property owner; since water main construction costs depend primarily on the length of pipeline constructed, each property owner's fair share proportionate cost varies directly with the length of parcel frontage occupied along Penny Lane. Estimated construction costs were provided to each owner and are listed as follows:

2137 Penny Lane: \$32,133 (estimated)
2139 Penny Lane: \$32,133 (estimated)
2159 Penny Lane: \$43,973 (estimated)

In addition to the above construction costs each property owner would be responsible for paying the current rates for water capacity and meter set fees at the time of installation. As part of interagency coordination on newly passed Measure T projects, the City and County had planned to repave Penny Lane by August 2019. Because both agencies have enacted paving moratorium policies on all streets

with newly installed pavement, full-width pavement restoration is required for any excavation that occurs within a five-year period after the paving is completed. To avoid the additional costs associated with full-width pavement restoration, City staff coordinated the construction of the water main to occur prior to the final paving of Penny Lane. If staff would have waited to complete the project until after Measure T paving, it would have resulted in approximately a fifty percent increase in construction costs for each property owner.

The installation of the Penny Lane Water Line Extension was completed by Fall 2019 and prior to the Measure T paving. The total cost of the project was \$169,342. The fair share proportionate costs for each parcel owner are listed as follows:

2137 Penny Lane: \$33,621 (actual)
2139 Penny Lane: \$33,478 (actual)
2159 Penny Lane: \$46,209 (actual)

The project included installation of 704 lineal feet of new water pipeline and three water services. The City's share of the Project Construction Cost was approximately \$56,034. The City's share accounted for the work that benefited the City of Napa Water Division for operational and maintenance improvements.

One property owner (2159 Penny Lane), who has since sold the property, already paid the City \$44,000, which was the estimated construction cost in 2019. Pursuant to the agreement to be executed by the City and former property owner, the former property owner will pay the remaining balance, which is \$2,209, within 30 days of receipt of an invoice from the City.

The two remaining property owners (2137 and 2139 Penny Lane), have agreed to pay 50% of their respective fair share of the actual construction costs upon execution of the proposed reimbursement agreement with the City, and have requested to defer payment of the remaining 50% balance over five years with 1.45% interest (see Attachments 2 and 3). Their obligation to repay the 50% balance would be evidenced by a Secured Promissory Note and secured by a Deed of Trust, which would be recorded against the properties.

FINANCIAL IMPACTS:

Expenditures in the amount of \$169,342 for Penny Lane water main construction have been recorded to existing appropriations designated for capital improvement projects associated with local development in the Water Fund (53105-57601-WD20UT02-57601). Reimbursements in the amount of \$113,308 will be recorded as revenue in Water Fund capital improvement account 53105-34901.

CEQA:

City staff recommends that the City Council determine that the Recommended Action is exempt from CEQA pursuant to Public Resources Code Section 21080.21, which exempts the installation of new pipeline less than one mile in length.

DOCUMENTS ATTACHED:

ATCH 1 - Penny Lane Exhibit
ATCH 2 - Reimbursement Agreement (2137 Penny Lane)

ATCH 3 - Reimbursement Agreement (2139 Penny Lane)
ATCH 4 - Reimbursement Agreement (2159 Penny Lane)

NOTIFICATION:

None