



California Street Light Association

STREET LIGHT RETROFIT/REPLACEMENT/ ACQUISITION OPTIONS, LEGISLATIVE UPDATE AND ASSET OPPORTUNITIES

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Overview



- Retrofit and Replacement Issues
 - Investor Owned
 - Local Government Owned
- Acquisition and Valuation Strategies
- Legislative Issues
- Asset Opportunities



Basic Elements

Retrofit/Replacement/Acquisition

- Asset Inventory
- Consolidating assets and interests across jurisdictions for negotiating/acquisition purposes
 - if you can
 - JPAs
 - Shared bid/specification/contracting
 - Others



More Basic Elements

Retrofit/Replacement/Acquisition

- Valuation of Assets
- Valuation Analysis
 - Case Law and Evidence Code regarding Valuation Methodologies
 - Comparable Sales
 - Capitalization of Income
 - Replacement Cost New Less Depreciation (RCNLD)
 - Depreciation Methodology
- Negotiation Strategies with Investor Owned Utilities (IOUs)
- If Negotiations Falter, Legal Options



Legal Options

- Eminent Domain
- Political Concerns about Eminent Domain
 - Kelo v. City of New London (2004)
- Costs Associated with Eminent Domain
- Eminent Domain Process



Eminent Domain Process

- The government itself does an appraisal and offers to purchase the property for fair market value.
- If the IOU (investor owned utility) does not wish to sell, the government files a court action to exercise eminent domain, and can gain immediate possession shortly thereafter.
- Eminent Domain cases are entitled to priority in court scheduling.



Eminent Domain Process – 2

- The government must also demonstrate that the taking of the property is for a public use, as defined by law. The property owner is given the opportunity to respond to the government's claims.
- If the government is successful in its petition, proceedings are held to establish the fair market value of the property. Any payment to the owner is first used to satisfy any mortgages, liens and encumbrances on the property, with any remaining balance paid to the owner. The government obtains title.



Eminent Domain Process - 3

- If the government is not successful, or if the property owner is not satisfied with the outcome, either side may appeal the decision.

Additional Thoughts about Eminent Domain

- Fair Valuation Deposit
- Cost of Legal Counsel
- Timing of the Eminent Domain Process



Legislation

- Potential Future Legislative Ideas
 - Enforcement of General Rate Case Provisions
 - Transparency in IOU Expenditures using Local Government Revenues
 - Setting Fair & Reasonable Asset Valuation Methodologies into State Law (Rhode Island, Massachusetts, Maine, etc.)



Asset Opportunities

- Future possibilities for uses for your street lighting system could include:
 - Super fast cellular and radio frequency (RF) micro communications systems
 - Micro grid electrical systems
 - Adaptive controls for safety and decorative uses
 - Recharging stations



Don't Underestimate the Value of Your Infrastructure – especially Street Lights

- • Inventory. Locate, then inventory the facilities and examine the condition of your street lights. Knowing what you have allows you to properly value your assets.
- • Audit. Audit your bills and inventory to make sure you are being accurately charged for electricity and facilities.
- • Retrofit. Retrofit your lights with adaptive controls and LEDs for lower electrical/maintenance costs.

Don't Underestimate the Value of Your Infrastructure – especially Street Lights

- Invest. Low interest rates and lower costs for the facilities mean the return on your capital investment will be a shorter time frame. You may be able to pay the capital cost for improvements from your future savings, depending on your source of financing.
- Evaluate Offers to Buy. If a third party approaches you about purchasing or acquiring your street lights as a means to provide other services like cellular or wireless, consult legal and financial counsel – consider carefully if the proposed purchase price offsets the loss of future control, lease valuation and the investment your city/county has made in its infrastructure.



Thank You – Questions or Comments?

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