TO:       HONORABLE CITY COUNCIL
FROM:    CITY MANAGER        DEPARTMENT: UTILITIES
DATE:    JANUARY 20, 2004
SUBJECT: RESOLUTION OF INTENT TO ESTABLISH UNDERGROUND UTILITY
          DISTRICT NO.40: 1700 TO 1900 BLOCK OF EDGEWOOD DRIVE

RECOMMENDATION
Staff recommends that Council adopt the attached Resolution of Intent to amend Section
12.16.02, of Chapter 12.16 of Title 12, of the Palo Alto Municipal Code by establishing
Underground Utility District No. 40.

BACKGROUND
The Electric Utility’s undergrounding project areas are selected and recommended to
SBC and Comcast based on the age and maintainability of the existing overhead electric
system. SBC and Comcast determine whether the recommended area meets the criteria
for undergrounding based on guidelines established by the California Public Utility
Commission (CPUC). The attached Exhibit A shows the existing, current, and future
underground districts. The area now proposed as Underground Utility District No. 40
meets the City and CPUC guidelines for undergrounding overhead utility lines.

DISCUSSION
This underground project will result in the removal of 9 poles and provide underground
service to 18 residential properties. Completion of this project will eliminate overhead
distribution lines in an area bordered by existing underground districts and enhance
reliability of the electric distribution system while improving aesthetics.

Once the underground district is created, the Utilities Department will design and obtain
bids for the installation of the underground substructure required prior to placing the
electric, telephone, cable TV (CATV), street light and City communication facilities
underground. After the new underground systems (cable, transformers, switches, etc.) have been installed, the property owners will connect to the new underground system, utilizing their own contractors. City crews will then remove the overhead power lines, and telephone crews will complete the project by removing the remaining telephone and CATV overhead facilities and the poles.

The City staff is currently in discussion with SBC concerning the allocation of costs and responsibilities for joint trench applications. Since both parties agree that joint participation on projects is mutually beneficial, these discussions should not have an impact on the timeline of the project. The discussions are on-going, but staff does not foresee a significant change in cost allocation for projects with joint trench participation with SBC.

On November 11, 2003, a letter was sent to the property owners in the proposed district introducing the project and inviting them to a meeting. During the meeting (attended by 5 property owners) on December 10, 2003, staff explained the details of the project and answered questions from the property owners. A questionnaire, which was included with the letter, was used to determine the level of support for the project. Staff has received completed questionnaires from 8 property owners, 5 (62.5%) of whom are in favor of the project, 1 (12.5%) of whom are not in favor of the project, and 2 (25%) of whom have no preference.

**RESOURCE IMPACT**

Funds for this project are included in the FY 2003/04 Utilities Department Electric Capital Improvement Program budget. The only cost to the property owners will be that of replacing the overhead service drops to their buildings with underground service. It is estimated that the average cost per property owner will be approximately $3,500. Property owners will be offered the option of financing their service conversions under Section 12.16.091 of Palo Alto Municipal Code. In that case, customers borrow funds from the City and repay the loan and administrative costs, which are added to their property tax bills, over a ten year period, at an interest rate determined by a prescribed formula and approved by the Council.
**POLICY IMPLICATIONS**
The adoption of this resolution does not represent any changes to existing City policy and is consistent with the Council-approved Utilities Strategic Plan to invest in utility infrastructure to deliver reliable service.

**TIMELINE**
The first step in the establishment of the district is Council adoption of a Resolution of Intent to establish Underground Utility District No. 40. The Resolution defines the district boundaries and sets a time and place for a public hearing on the matter. The public hearing has been tentatively scheduled for the City Council meeting on March 22, 2004. At the public hearing, the property owners will have an opportunity to comment on the project. The adoption of the Resolution of Intent will also serve as a formal action that is required by SBC and Comcast prior to starting engineering design.

The first Council action required to initiate the procedure will be adoption of the Resolution of Intent to establish Underground District No. 40. Below is the tentative project schedule:

<table>
<thead>
<tr>
<th>Action</th>
<th>Date</th>
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<tbody>
<tr>
<td>1. Award of construction contract and Joint Construction Agreement with SBC/Comcast</td>
<td>April 2004*</td>
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<tr>
<td>2. Substructure (conduits, vaults, etc.) installation by Contractor</td>
<td>May 2004 through June 2004</td>
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<tr>
<td>3. Installation of underground facilities (cable, switches, etc.)</td>
<td>July 2004 through August 2004</td>
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<tr>
<td>4. Resolution determining properties electing to pay service conversion cost over a period of 10 years</td>
<td>June 2004*</td>
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<tr>
<td>5. Service conversion work by property owners</td>
<td>August 2004 through September 2004</td>
</tr>
<tr>
<td>6. Pole removal and project completion</td>
<td>December 2004</td>
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</tbody>
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* Denotes Council Action

**ENVIRONMENTAL REVIEW**
This project is categorically exempt from CEQA under Section 15302.
ATTACHMENTS
A: Resolution
B: Underground Conversion Projects
C: Underground Utility District No. 40 Boundary Map

PREPARED BY: PATRICK VALATH
Senior Project Engineer

DEPARTMENT HEAD: JOHN ULRICH
Director of Utilities

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager