TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: UTILITIES

DATE: APRIL 3, 2006

CMR:170:06

SUBJECT: REQUEST FOR APPROVAL OF A BUDGET AMENDMENT ORDINANCE IN THE AMOUNT OF $500,000 FOR ELECTRIC DESIGN AND CONNECTION SERVICES CAPITAL PROJECTS

RECOMMENDATION
Staff recommends that the Council adopt the attached Budget Amendment Ordinance (BAO) in the amount of $500,000 for the Electric Customer Connections capital project (EL-89028).

RECOMMENDATION
The City of Palo Alto Municipal Code places budgetary controls on Capital Improvement Program (CIP) projects and does not allow additional appropriations to CIP projects without Council approval. The Electric Customer Connections capital project provides funding for improvements to the system to allow the connection of the new electrical services. The improvements include the installation of new conduits, transformers, meters, cables, and electrical enclosures. The City receives reimbursement of approximately 30% to 40% of the total electric service connection expense from customers. The Electric Fund reimbursement is smaller than that received in the other Utility Funds because the Electric Utility funds expensive capital equipment, such as transformers, required to provide service.

DISCUSSION
Based on the service requests received in the first 8 months of the fiscal year, the Customer Connections Project (EL-89028) will run out of funding before the end of the fiscal year unless additional appropriation is made.

There were five service requests that were unanticipated prior to the budgeting process that account for $318,000 of extra expenditure. In addition, a large new electric service to 3401 Hillview is currently in the design stage and approximately $180,000 worth of new transformers and switches need to be ordered this year to support the project. Most of this will be recovered through reimbursement by the customer.

RESOURCE IMPACT
A BAO in the amount of $500,000 is requested, to come from the Electric Utility Fund Rate
Stabilization Reserve. The $500,000 increase requested will be partially offset by $275,000 in revenues from customer connections payments. The BAO will result in a net reduction in the Electric Utility Fund Rate Stabilization Reserve of $225,000.

**POLICY IMPLICATIONS**
These recommendations do not represent a change in existing City policies.

**ENVIRONMENTAL REVIEW**
Categorically exempt from California Environmental Quality Act (CEQA), pursuant to sections 15302 and 15303 of the CEQA guidelines.

**ATTACHMENTS**
Attachment A - BAO
Exhibit A (under attachment A)
Attachment B – CIP Page

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