TO:        HONORABLE CITY COUNCIL
FROM: CITY MANAGER        DEPARTMENT: UTILITIES
DATE: OCOTOBER 24, 2005            CMR: 405:05

SUBJECT: SECOND READING AND ADOPTION OF ORDINANCE
          ESTABLISHING UNDERGROUND UTILITY DISTRICT NO. 41
          COLORADO AVE/MIDDLEFIELD ROAD/ORIGINAL EXPWY/COWPER STREET

RECOMMENDATION
Staff recommends that Council adopt the attached Ordinance to create Underground Utility District No. 41 and thereby amend section 12.16.020 of Chapter 12.16 of Title 12 of the Palo Alto Municipal Code.

BACKGROUND
At its meeting of April 25, 2005, the Council passed Resolution of Intent No. 8515 to establish Underground Utility District No. 41. The Council meeting of July 11, 2005 was set as the date of the public hearing on the matter. Notices announcing the meeting with a description of the project and a copy of the Resolution were mailed to all property owners in the proposed district on June 9, 2005.

The ordinance was introduced and the public hearing was held as scheduled on July 11, 2005. The Ordinance passed 8-0 (Freeman absent). During the subsequent second reading on July 25, 2005, there were concerns expressed by property owners that the service conversion costs associated with this project would cause a financial burden. Based on the public comments presented, Council directed staff to return with alternative financing plans to address the concerns expressed at the public hearing.

DISCUSSION
Financing alternatives were presented and discussed with the City Council on September 19, 2005. The recommendations made by staff were approved and, as directed, staff will return to Council in January/February 2006 with amendments to the Municipal Code to
address the repayment of Underground Utility District loans. These financial mechanisms will apply to Underground Utility District No. 41.

To begin the engineering and in the interest of avoiding further delay in proceeding with the underground project, staff had also recommended that Council approve the second reading adopting the ordinance establishing the underground district No. 41.

Adoption of the Ordinance will allow the Utilities Department to begin the engineering and prepare plans and specifications and obtain bids for installation of the underground substructure construction. Underground substructure construction consists of the installation of conduits, vaults, pads, and boxes. The Utilities Department will then install the electric distribution cables, transformers, and switches upon completion of the substructure installation. After the new underground system (cable, transformers, switches, etc.) has been tested and energized, the property owners will be notified that they have 60 days to connect to the new underground system. Upon completion of the new connections, Utility crews will remove the overhead power lines and telephone crews will complete the project by removing the remaining telephone and CATV facilities and poles.

**POLICY IMPLICATIONS**
This recommendation is consistent with the Council-approved Utilities Strategic Plan to invest in utility infrastructure to deliver reliable service. The project furthers Program L-80 (the continuation of citywide undergrounding of utility wires) and L-81 (the use of compact and well-designed utility elements) of the Comprehensive Plan.

**TIMELINE**
Once the public hearing is completed and if Council decides to proceed with the project, then the following will occur as proposed:
ENVIRONMENTAL REVIEW
This project is categorically exempt from the California Environmental Quality Act under Section 15302.

ATTACHMENTS
A: Ordinance
B: Underground Utility District No. 41 Boundary Map
C: Underground Conversion Projects

PREPARED BY: PATRICK VALATH
Senior Electric Project Engineer.

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager