



# City of Palo Alto

## City Council Staff Report

(ID # 9017)

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**Report Type: Consent Calendar**

**Meeting Date: 4/9/2018**

**Summary Title: Funding Allocation for Upgrade Downtown Project**

**Title: Approval of a Budget Amendment to the Electric and Fiber Optics Funds for the Upgrade Downtown Project, Increasing the Electric Communications System Improvements Budget by \$1,000,000 and Decreasing the Fiber Optics Network System Improvements Budget by \$1,070,202**

**From: City Manager**

**Lead Department: Utilities**

### **Recommendation**

Staff recommends that Council:

1. Amend the Fiscal Year 2018 Budget Appropriation Ordinance for the Electric Fund by:
  - a. Increasing the Electric Communications System Improvements (EL-89031) budget by \$1,000,000; and
  - b. Decreasing the Electric Fund Capital Improvement Projects and Rate Stabilization Reserves by \$1,000,000.
  
2. Amend the Fiscal Year 2018 Budget Appropriation Ordinance for the Fiber Optics Fund by:
  - a. Decreasing the Fiber Optics Network System Improvements Project (FO-10001) budget by \$1,070,202.10; and
  - b. Increasing the Fiber Optics Fund Rate Stabilization Reserve by \$1,070,202.10.

### **Background**

Council approved the citywide and multi-phase Upgrade Downtown project on January 22, 2018 (Report ID # 8517). This project includes utility improvements, traffic signal maintenance and enhancements, parking wayfinding signage, and pedestrian safety improvements. During the meeting, Council requested that staff evaluate funding reallocation options to potentially reduce expenditures for the fiber optics fund.

The Upgrade Downtown project will replace aging water and gas utility infrastructure and increase the availability of fiber optic conduit for future use. Fiber conduits were included in the joint trench design on University Avenue to minimize future excavation on a congested thoroughfare, thereby decreasing future construction-related inconvenience to businesses, and reducing costs by installing multiple utilities with a single project, minimizing overhead and mobilization costs. To meet future fiber optic needs, two 2-inch fiber conduits were included in the project.

### **Discussion**

Since the January Council meeting, staff has determined that one of the fiber conduits can be used by the City's Electric Utility to facilitate the installation of a dedicated communication system between the City's electric substations for electric system protection, control, and monitoring. The existing system of communications between the substations uses leased lines from the City's dark fiber network.

Currently there are conduit infrastructure facilities in place for a dedicated fiber communications system between four of the City's electric substations. Because dedicated fiber communications enhance the security and reliability of the overall communications system, its eventual expansion is planned for all nine of the City's substations. To facilitate the expansion, staff is recommending allocating one of the Upgrade Downtown Project's conduits originally proposed for fiber optic use, to the Electric utility. To ensure that adequate capacity would remain available for future fiber use, staff requested that Ranger Pipelines double the capacity of these conduits by upsizing the two 2-inch fiber conduits to two 4-inch conduits. Since the incremental cost for the materials is insignificant, Ranger Pipelines agreed to install two 4-inch conduits at no additional cost to the City. The increased capacity allows the Electric Utility to use one of the conduits for the communications system, while still maintaining the originally proposed capacity for future fiber optic cable installation. The remaining fiber optic capacity will be available for lease. While no specific use has yet been identified, this will provide a unique resource for future smart city applications along University Avenue. Given that staff has previously received interest from third parties to pursue smart city applications in the area, this asset may prove more valuable than previously anticipated.

Joint trenching costs are allocated to the utilities that will share the trench. While the prior funding allocation split joint trench costs among the Water, Gas and Fiber Optics Funds, staff proposes that the Electric Fund cover half of the trenching costs originally allocated to the Fiber Fund, due to the addition of conduit dedicated to electric substation communications.

In summary, the Electric Fund will contribute approximately \$1 million, and the Fiber Optics Fund contribution will be reduced by the same to approximately \$1 million.

### **Resource Impact**

Original funding for the Upgrade Downtown Project was approved by Council on January 22, 2018 in Capital Improvement projects GS-12001, Gas Main Replacement Project 22; PL-15004,

Downtown Parking Wayfinding; PO-89003, Sidewalk Repairs; PE-86070, Street Maintenance; PL-16001, Downtown Mobility and Safety Improvements; FO-10001, Fiber Optics Network System Improvements; and, WS-12001, Water Main Replacement Project 26.

Amendments to the Electric and Fiber Optics Funds are recommended in this report. As of February 9, 2018 the budget for Project EL-89031, Electric Communications System Improvements, had \$308,000 remaining. Of this amount \$208,000 is planned to be spent this year or reappropriated to FY 2019 for upcoming projects, leaving approximately \$100,000. The recommended amendment of \$1,000,000 to EL-89031 in addition to the unallocated budget funding is sufficient to cover electric’s share of the joint trench (\$1,070,202). This increase to EL-89031 will be accompanied by a reduction to the Electric Fund Capital Improvement Projects and Rate Stabilization Reserves in the amount of \$1,000,000. Project FO-10001, Fiber Optics Network System Improvements, cost will be decreased by \$1,070,202.10 and this funding will be returned to the Fiber Optics Fund Rate Stabilization Reserve.

The proposed amendment will not change the total cost of the project, nor impact other funding sources associated with this project. The tables below show a categorization of project costs by the work being performed, joint trench cost breakdown, and funding source table with amount funded by each fund.

Project costs:

<b>Work Being Performed</b>	<b>Cost</b>	<b>10% Contingency</b>	<b>Total</b>
Electric communication and fiber optic conduit	\$1,945,822	\$194,582	\$2,140,404
Water mains and services	\$3,210,372	\$321,037	\$3,531,409
Gas mains and services	\$8,302,197	\$830,220	\$9,132,417
Parking wayfinding signage	\$414,400	\$41,440	\$455,840
Traffic signal and hardscape	\$2,035,900	\$203,590	\$2,239,490
Sidewalk ramp upgrade	\$462,895	\$46,290	\$509,185
<b>Total</b>	<b>\$16,371,586</b>	<b>\$1,637,159</b>	<b>\$18,008,745</b>

Joint Trench Cost Breakdown:

<b>Utility</b>	<b>Cost</b>	<b>10% Contingency</b>	<b>Total</b>
Water	\$1,893,372	\$189,337	\$2,082,709
Gas	\$1,893,372	\$189,337	\$2,082,709
Fiber Optic	\$946,686	\$94,669	\$1,041,355
Electric Communication	\$946,686	\$94,669	\$1,041,355
<b>Total</b>	<b>\$5,680,116</b>	<b>\$568,012</b>	<b>\$6,248,128</b>

The revised funding allocation including 10% contingency is as follows:

<b>Funding Source</b>	<b>Total Encumbrance</b>
EL-89031	\$1,070,202
FO-10001	\$1,070,202
GS-12001	\$9,132,417

PL-15004	\$900,000
PL-16001	\$1,795,330
PE-89003	\$509,185
WS-12001	\$3,531,409
<b>Total</b>	<b>\$18,008,745</b>

**Policy Implications**

The approval of this recommendation is consistent with existing City goals, policies, programs, and plans including:

**Utilities Strategic Plan**

BP1: Ensure a reliable supply of utility resources.

BP2: Operate the utility systems safely.

**Environmental Review**

Council’s approval of this funding reallocation does not meet the California Environmental Quality Act’s (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental review is required.