

Agenda Report

TO: City Council

DATE: April 14, 2003

THROUGH: Finance Committee (4/14/2003)

FROM: City Manager

SUBJECT: Revised Priorities and Criteria for Undergrounding Overhead Utilities

RECOMMENDATION:

It is recommended that City Council direct City Staff to:

- Redirect the priority for the underground of utilities from Phase 1 Arterial and Collector Streets to Phase 2 Residential Streets and
- Adopt the criteria for setting priority of streets within the Residential Streets category and
- Return to the City Council with an established list in priority order of residential streets for underground as a part of the recommended FY 04 Capital Improvement Program.

BACKGROUND:

Historically, since the inception of the Underground Utility Program in 1968, the basic criterion used to develop the multi-year Capital Improvement Program was for Beautification. This program involved undergrounding of city and other local utilities overhead lines, allowing the removal of utility poles, which generally improves the visual character of the area.

An underground surtax based on a customer's electric bill for the use of electricity finances the undergrounding program. The tax is 3.40% of the first \$1,000 on the monthly bill, 3.70% on the next \$4,000, 2.47% on the next \$20,000 and 1.21% on all charges above \$25,000. The funds are collected as part of the City's municipal services bill. The City currently collects approximately \$3.2 million per year from this surtax.

When the program began, City streets were divided into 3 primary categories: 1) Arterial and Collector Streets; 2) Residential Streets; and 3) Alleys and Rear Properties.

The initial priority selected for the use of underground funds was Arterial and Collector Streets. All streets within this category are shown on Attachment A. Priority was established based on the following:

1. Beautification of streets, to enhance major view corridors.
2. Street volume (based on the premise that more people will enjoy the results).
3. Streets where new or expanded power facilities are needed (to avoid installation of additional overhead lines).
4. Streets that can be completed in conjunction with major street work (To reduce impacts of multi construction projects on businesses and residents).
5. Streets where expanded underground facilities will enhance new development.
6. Streets needing new street lighting.

Each year a list of streets in priority order was recommended and ultimately adopted by the City Council as a part of the annual Capital Budget. Upon completion of these designated streets, the major emphasis would then focus on residential streets, followed by alleyways and rear property.

Between 1968 and 2001, the City has completed the undergrounding of arterial streets totaling 21 miles as identified on Attachment A. This is approximately 55% of the total 47 miles of Arterial and Collector streets. The completion of the first construction phase of Avenue 64 in 2001 represented the beginning of undergrounding on Collector Streets.

Recently the City Council has raised concern about the increasing number of overhead utility lines being added in neighborhoods, which has resulted in reexamining the current priority and criteria that are set for the underground of utilities. If the City Council approves the redirection of undergrounding to residential streets, it would then be appropriate to also revise the criteria as proposed below:

1. Streets where overhead lines are deteriorated and need replacement.
2. Streets where power lines are in conflict with tree and structural clearance.
3. Streets where there is a higher risk of fire hazards.
4. Streets where major street construction is planned.

However, if the City Council decides not to move undergrounding work to residential streets, staff will resume undergrounding of collector streets in the order previously approved by the City Council as shown on Attachment B.

The current undergrounding program revenue allows the city to fund approximately 1.2 miles of undergrounding per year. Some underground districts may be less than this amount and therefore will allow the city to work in more than one district per year. In some years, however, the districts will be much larger and it may take more than one year to generate the funds needed to completely underground a district. Considering there are approximately 93 miles of residential streets, at the current collection rate it would take 78 years to complete this component of the utility undergrounding program (Please see Attachment C).

The underground surtax for an average customer consuming 1,000 kwh bimonthly is \$4.97 on a bimonthly basis or \$29.82 annually. Private utilities are required to underground at their cost, when the City establishes an underground District. Individual property owners are required to underground the facilities on their private property, in which the City reimburses each property owner up to \$1,000 to offset their costs. The

average cost is estimated at \$1,500 to \$5,000 per property. The distance from the property line to the meter panel determines these costs.

Should the City Council wish to accelerate the undergrounding program, Council would need to increase the amount charged to utility customers or dedicate other sources of revenues. Any increase to the current rate would be subject to Proposition 218 and thus would require voter approval. Since this is a special tax, it would require approval by at least two-thirds of those voting. Another option staff could explore could be the creation of special assessment districts throughout the City. A special assessment would be levied against each property owner within the district's boundary and would be based upon "benefit". Greater analysis would need to be done to arrive at an equitable formula but generally speaking it would be based upon the property owners proximity to the lines proposed for underground. Unlike an increase in the current tax, districts can be formed by the City Council. Those property owners being assessed would have the right to protest and should the City receive a majority protest from those being assessed (based upon actual assessments), the City could not proceed with that particular district.

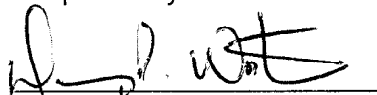
FISCAL IMPACT

There is no cost for adopting this recommendation for changing the priority for undergrounding of utility lines.

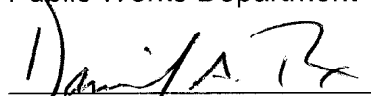
Respectfully submitted,


Cynthia J. Kurtz
City Manager

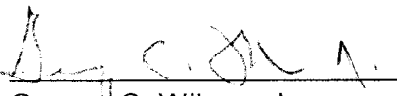
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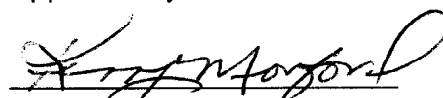


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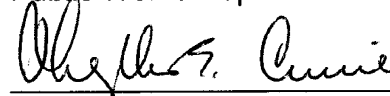


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