

Agenda Report

TO: City Council

DATE: March 29, 2004

FROM: City Manager

SUBJECT: Policy on Establishment of Citywide Underground Utility District

RECOMMENDATION:

This report is for information only.

BACKGROUND:

During the October 20, 2003 Council meeting, City Council asked questions regarding the City's policy in establishing underground utility districts and the possibility of establishing the entire City as a single citywide underground utility district. Based on the current policies and procedures of the underground program, utility districts may be established at any time with no size restriction.

Although the concept of a citywide underground utility district has appeal, the practical reality is that such a district would prove to create major fiscal impacts and other relevant issues that would affect the overall goal of the underground program. Listed below are some specific questions and answers along with other determining factors that should be reviewed before considering a citywide underground utility district.

Question #1: Can the City require all utilities to underground existing overhead lines within a specific timeline?

No. Under the current franchise agreements the City can require cable companies to underground only where existing utilities are already underground or where all new utilities are being underground in accordance with the City's adopted underground priorities. In addition, telephone companies are regulated by State franchise under the California Public Utilities Commission (CPUC). Under Tariff Rule 32, residential streets are classified as Category 2 and telephone companies are exempted from having to underground their services on Category 2 streets.

Question #2: Can the City maintain the current underground program for existing overhead facilities; but require utilities to underground all new services?

No. When the other utilities underground their services, the city would be required to underground city services at the same time. As a result, the City would be required to run two underground programs concurrently -- one directed by the City's adopted underground priorities and one directed by the underground program of other utilities. The current amount of surtax funding is not sufficient to support this level of activity.

Question #3: What would it cost the City to accelerate the undergrounding of all overhead power facilities within a 10-year period?

The City currently collects approximately \$3.8 million per year from the underground surtax, which provides funding to underground approximately 1.2 miles of overhead utilities. As of December 2003, there are approximately 181 miles of overhead facilities remaining to be undergrounded, which at the current collection rate would take approximately 150 years to complete.

Should the City desire to accelerate the underground program over a period of the next 10 years, it would require an annual surtax collection of approximately \$68 million dollars per year. In order to collect this amount, Council would need to increase the current surtax amount charged to utility customers or dedicate other sources of revenue.

The current underground surtax for an average utility customer is \$30 annually. However, in order to collect a surtax of \$68 million per year, utility customers would have to pay an average surtax of \$525 annually. In addition, any increase to the current rate would be subject to Proposition 218 and thus would require voter approval.

City staff has held several meetings with all public utilities (i.e. telephone and cable) and have discussed at length the possibility of establishing a citywide underground utility district. All utilities agreed that a citywide underground utility district would impose a major financial burden on their budget and would limit discretionary control over future allocation of underground funding. Utilities currently allocate their underground funding in accordance to the City's undergrounding priority. If established as a citywide underground utility district, non-city utilities would also require additional revenue, which could result in an increase of service rates.

Finally, if the City were to be established as a citywide underground utility district, the following additional impacts should be considered:

1. **Street Capacity:** There are City, County and State standards that control location, depth and clearances for any utility to construct an underground system. When an underground utility district is established, utilities are not required to utilize a joint trench. However, in the current process, utilities are encouraged to enter into a joint trench agreement in which all utilities share in the space and cost of the trench.

A citywide underground utility district could result in multiple independent underground construction projects at different locations in the roadway, which would quickly fill available "underground corridor" space. Many streets are already limited in corridor space based on existing underground utilities.

2. **Pavement Deterioration:** Every utility cut produces pavement damage that propagates beyond the area excavated; even the best restoration standards do not prevent damage. Utility cuts cause the soil around the cuts to be disturbed and cause the backfilled soil to be compacted to a different degree than the adjacent undisturbed soil's compaction. Therefore, pavement service life is reduced as an inherent consequence of the trenching process.
3. **Roadway Ride and Aesthetics:** Regardless of how well a utility cut is repaired, the overall rideability and appearance of the roadway is impacted. Streets with many exposed utility trench cuts create uneven, unattractive pavement that reduces driving comfort and implies lack of maintenance effort.
4. In addition, the affected property owner would be required to install conduit from their property line to their existing meter or designated service point. As a result, additional revenues would be needed to cover the cost of new underground services and also reimbursement costs to the property owner, in which the City reimburses up to \$2,000 per property owner or the lesser actual cost.

FISCAL IMPACT:

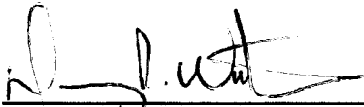
The direct fiscal impact to the City is unknown at this time. Historically, when an underground utility district is established, all utilities are encouraged to enter into a joint trench agreement and share in the cost of the trench. If established as a citywide underground utility district, the City would incur additional underground costs specifically in locations where new underground services are required. These additional costs would also include new telephone services located on Category 2 streets. Without additional revenue sources, these costs would be charged to the current underground surtax fund, which would decrease the amount of surtax dollars available to underground utilities based on areas defined by the underground priority.

Respectfully submitted,



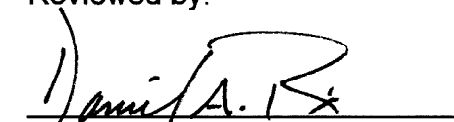
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