



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen

SUBJECT: SEE BELOW

DATE: 01-20-09

Approved

Date

1/29/09

COUNCIL DISTRICT: 3

SUBJECT: PACIFIC GAS AND ELECTRIC COMPANY AGREEMENT FOR THE JACKSON/TAYLOR IN-LIEU FEE UNDERGROUND UTILITY DISTRICT

RECOMMENDATION

Approval of an Agreement to Perform Tariff Schedule Related Work with Pacific Gas and Electric Company for conversion of overhead facilities to underground facilities within the In-Lieu Fee (Rule 20B) Underground Utility District located on Jackson Avenue between Seventh and Ninth Streets and Taylor Street between Seventh and Tenth Streets in an amount not to exceed \$1,446,222.00.

OUTCOME

Approval of the Tariff Agreement will allow PG&E to install equipment and wires, and complete the conversion of the overhead electric lines to the new underground substructure for all three utilities included in the project (Comcast and AT&T being the other participants).

BACKGROUND

In June 1989, Council adopted an ordinance establishing an In-Lieu Utility Undergrounding Fee (Rule 20B) Program. The fee is required of developers in lieu of completing the aerial-to-underground conversion along their development's street frontage. The Department of Public Works then coordinated the establishment and construction of utility conversion projects in accordance with the City of San José's 3-year work plan, which was submitted to Council on April 29, 2008.

Expenditures from the Underground Utility Fund (In-Lieu Fees) are used solely for the conversion of overhead utility lines to underground facilities on designated streets within the City and are used as follows:

- ◆ Payment to utility companies for the cost of replacement of their existing overhead facilities with underground facilities within the public right-of-way.
- ◆ Payment of City expenses for staff, equipment, supplies and overhead associated with the establishment and administration of undergrounding projects eligible for funding.
- ◆ Payment of City expenses for the design, construction and installation of conduits and associated appurtenances for City-designed and construction-managed projects.

The Jackson/Taylor Underground Utility District was established by Council on October 18, 2005 and is combined with a Rule 20A project west of this project site (see attached map). The Rule 20A portion is approximately 5,000 linear feet and is being funded by utility companies. The Rule 20B (In-Lieu) project includes the conversion of approximately 1,500 linear feet of aerial facilities to underground facilities on Jackson Avenue between Seventh and Ninth Streets and Taylor Street between Seventh and Tenth Streets.

The project has been designed and will be constructed by PG&E in coordination with AT&T and Comcast. The \$1,446,222 cost of the project includes construction costs for each of the three utilities.

ANALYSIS

Under California Public Utilities Commission (CPUC) Rule 20B, PG&E is paid for engineering, administrative costs, installed conduits, vaults and other underground supporting structure prior to their installation of wires and equipment and subsequent removal of overhead poles and wires. Approval of the Tariff Agreement with PG&E will provide funds for their costs (\$1,446,222) associated with the undergrounding project. Pursuant to her authority under Section 14.40.320 of the San José Municipal Code, the Director of Public Works will also enter into an Agreement to Install Applicant Requested Common Special Facilities ("Special Facilities Agreement") with PG&E. Approval of the Special Facilities Agreement will provide funds for the difference in cost of installing two subsurface switches and one subsurface transformer as opposed to PG&E standard above-ground equipment and the equivalent one-time payment of ongoing maintenance and operation costs (\$4,876.19).

Similarly, under CPUC Rule 32.A.2, AT&T is paid for engineering, administrative costs, installed conduits, vaults and other underground supporting structure prior to their installation of wires and equipment and subsequent removal of overhead poles and wires. This agreement includes installation of AT&T facilities by PG&E, but does not include AT&T's engineering and

inspection costs. AT&T will provide an agreement for the payment of engineering and inspection costs for approximately \$50,000.

The City has collected, through In-Lieu fees, monies to pay for the construction of Comcast facilities in utility underground districts. Comcast is not paid for any other costs generated by the ordinance.

EVALUATION AND FOLLOW-UP

Upon the City Council's approval of the PG&E agreement, payment will be made to PG&E to begin the construction of the Jackson/Taylor Underground Utility District ("District"). Staff will continue to coordinate all design and construction activities with the Japantown Business Association, San José Redevelopment Agency and the property owners within the District.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The approval of this agreement meets Criterion 1. This memo and the agreement will be posted on the City's website for the February 10, 2009 Council agenda.

The project has been coordinated with the Japantown Business Association.

COORDINATION

This project and agreement have been coordinated with the City Manager's Budget Office, PG&E, AT&T, Comcast, and the City Attorney's Office. This project has also been coordinated with the Department of Planning, Building and Code Enforcement, and the San José Redevelopment Agency.

FISCAL/POLICY ALIGNMENT

This project is consistent with the Council-approved Budget Strategy for Economic Recovery section in that it will spur construction spending in our local economy.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery*	\$ 38,000.00
Construction	40,000.00
PG&E Special Facilities Agreement 1	4,876.19
PG&E Tariff Agreement 2	1,446,222.00
AT&T Agreement (estimated)	50,000.00
Contingency (10%)	<u>4,000.00</u>
TOTAL PROJECT COSTS	\$ 1,583,098.19
Prior Year Expenditures	(2,500.00)
REMAINING PROJECT COSTS	\$ 1,580,598.19

*A total of \$2,500 was expended through 2007-08 for Project Delivery costs.

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

TOTAL AGREEMENT/CONTRACT AMOUNT	\$1,451,098.19
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3. SOURCE OF FUNDING: Fund 416 – Underground Utility Fund

4. FISCAL IMPACT: The project will have minimal operating and maintenance impacts on the General Fund operating budget.

BUDGET REFERENCE

The table below identifies the funds and appropriations proposed to fund the agreement recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	RC#	Total Appn.	Amt. for Contract	2008-2009 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
Remaining Project Costs				\$1,580,597.19			
Current Funding Available							
416	5147	Underground Utility Administration (20B)	086573	\$135,000	\$0	Capital V-25	N/A
416	4654	Underground Utility Program	TBD	\$1,914,000	\$1,446,222	Capital V-17	10/21/2008 28422

HONORABLE MAYOR AND CITY COUNCIL

01-20-09

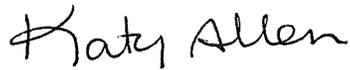
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Total Current Funding Available		\$2,049,000	\$1,446,222		
Total Funding for Remaining Project Costs		\$2,049,000	\$1,446,222		

CEQA

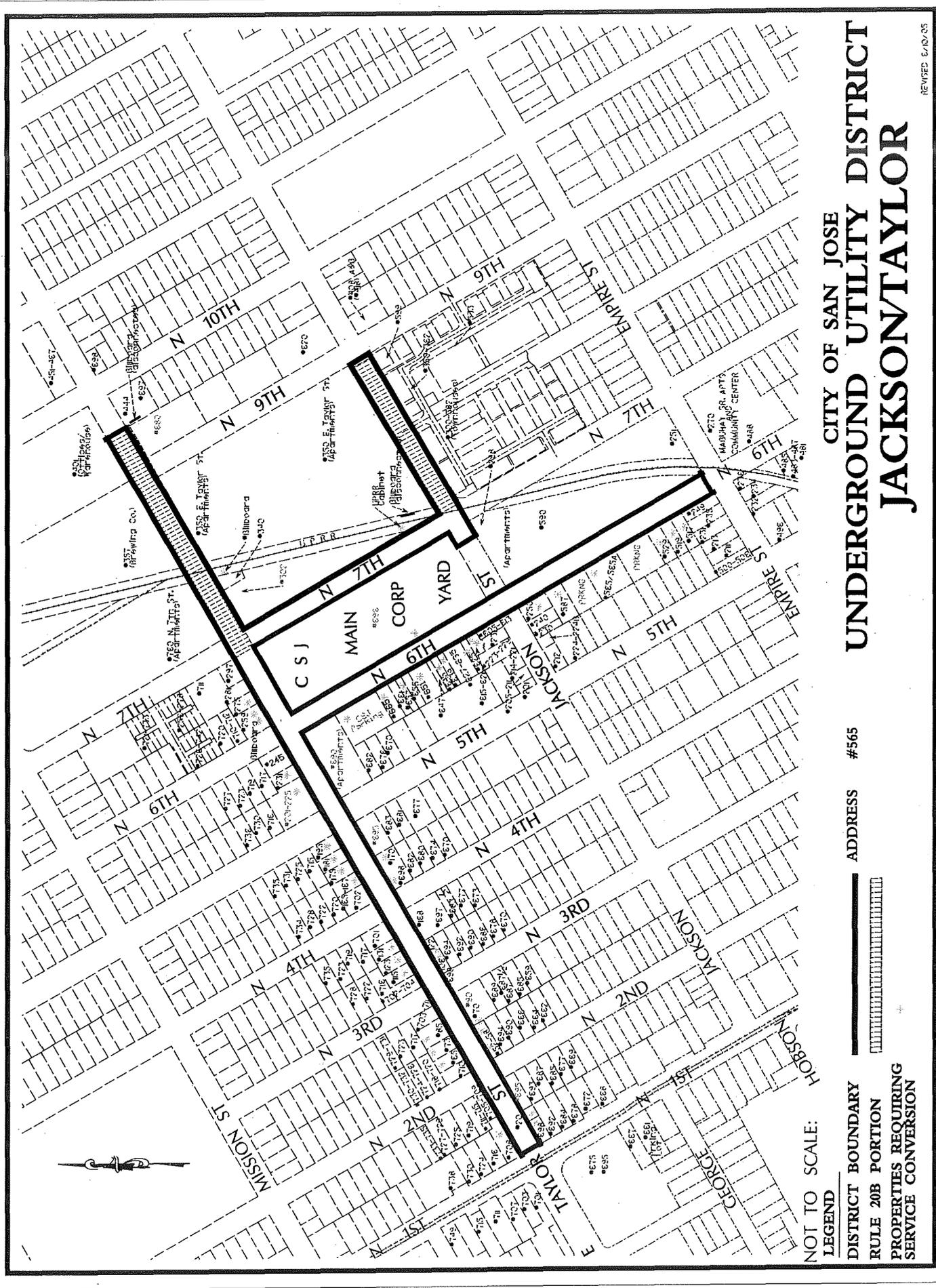
CEQA: Exempt, PP05-148.



KATY ALLEN
Director, Public Works Department

For questions please contact TIMM BORDEN, DEPUTY DIRECTOR, at 408-535-8300.

RC:SK:LAR
jacksontaylor20b agreement 121008
Attachments



REVISED 6/10/05

CITY OF SAN JOSE
UNDERGROUND UTILITY DISTRICT
JACKSON/TAYLOR

ADDRESS #565

NOT TO SCALE:
 LEGEND

- DISTRICT BOUNDARY
- RULE 20B PORTION
- PROPERTIES REQUIRING SERVICE CONVERSION