

DATE ISSUED: July 16, 2001

REPORT NO. 01-147

ATTENTION: Honorable Mayor and City Council

SUBJECT: Underground Utility Program Alternate Contracting Pilot Project

### SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE CITY COUNCIL.

### BACKGROUND

SDG&E, Pacific Bell, Time Warner Cable and Cox Cable, are responsible for converting all overhead utility facilities when underground conversion districts are established by the City Council.

The formation of conversion districts also requires affected property owners to underground the utilities which provide service to their property. Up front costs for most property owners are in most cases between \$1,200 and \$2,000 dollars. While the City has a reimbursement program, up front costs to property owners often delay or preclude many property owners from doing this work.

Delays in converting customers is the single most time consuming portion of any conversion project. Many property owners are inexperienced with hiring and managing contractors, thus exposing themselves to a multitude of possible exploitations and out of pocket expenses which are not covered under the reimbursement program.

### DISCUSSION

It has been the opinion of City staff that one contractor could perform the conversions for an entire project at a much lower cost and much more expeditiously. In addition one contractor could insure that appropriate conduits are placed for telephone and cable services thus expediting the completion of these projects even further.

In the near future, the City underground program will undergo a pilot project whereas the City would provide to property owners the construction of all facilities necessary to convert their property at no cost to the property owner. If the property owner rejects the City's offer to convert the utilities to underground, the property owner must personally secure the construction of such conversion and connection to the new underground utilities at property owner's own expense.

SDG&E has agreed that the contractor hired by the City would be funded with monies SDG&E would otherwise provide the City to reimburse property owners through the reimbursement program. Pacific Bell, Cox Cable and Time Warner Cable have agreed to reimburse SDG&E for

the installations of their conduits for which SDG&E is paying the City.

It is the goal of this pilot project to save 30% on what would otherwise be spent by private property owners to convert their properties and to reduce the time to convert projects by at least two thirds.

Based on the number of customers to convert over the next two years, it is estimated the program would yield a savings to the City of approximately \$700,000 against our annual undergrounding allocation with SDG&E. In addition, total savings to private property owners out of pocket expense that currently are not reimbursed would be just over one million dollars.

SDG&E has agreed, and has such notified the California Public Utility Commission (CPUC) of their intention to provide monies otherwise earmarked for the reimbursement program to property owners to the City. The City would use these funds to enter into a City contract with a private contractor to perform the conversion of all services. If this pilot is successful, a four phase plan will be implemented to perform all customer conversions within underground utility districts in this manner.

Respectfully submitted,

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Approved: George I. Loveland  
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