



## **Staff Report**

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### **STATUS REPORT ON THE PG&E RULE 20A PROJECT ON OLD COUNTY ROAD**

Honorable Mayor and Council Members:

#### **Summary**

This report summarizes the status of the PG&E Rule 20A Project on Old County Road. Construction schedule and estimated project costs are included.

#### **Background**

On April 8, 2003, the City Council established the Old County Road and Masonic Way Underground Utility District by Resolution 9389. The project includes undergrounding of existing overhead power and communication utilities along Old County Road and one block of Masonic Way between Old County Road and Granada Street. Placing these utilities underground have been proposed to improve the safety, convenience and aesthetics of these heavily traveled streets.

On May 13, 2003, the City Council adopted another resolution to allow the option to use Rule 20A Funds for installation of 100' of underground service laterals and up to \$1,500 for the conversion on electric service panels within the established underground district. Relocation costs exceeding these limits will be the property owner's obligation.

Staff has been coordinating this project with PG&E since 2003. However, because of the tremendous construction work loads, PG&E indicates they have not constructed any Rule 20A projects in San Mateo County for many years. In 2007, PG&E expedited the process because of the City's need to obligate \$134,000 Surface Transportation Fund (STP) for the pavement rehabilitation project on Old County Road south of Ralston Avenue. The funding has an obligation deadline in FY 2008-09.

In May 2008, PG&E began construction work on the joint underground utility trenches along Old County Road from Ralston Avenue southward toward the city/county limit. PG&E indicates the whole project will be constructed in three phases. The first phase includes installation of the substructure, conduits, and service boxes for the new electric, telephone, and cable TV services.

The second phase will consist of each utility pulling wires through the underground conduits and installing ancillary equipment, such as transformers and switch boxes. The overhead lateral services for each property will be undergrounded in this phase. Finally, once all the properties have been converted, the overhead wires and the wooden utility poles will be removed (Phase Three).

Phase One of the undergrounding project between Ralston Avenue and the south city limit is now complete. PG&E indicates the next step is to complete the Phase One work of the remaining portion on Old County Road north of Ralston Avenue. Phase Two and Three will follow after all the underground substructures are installed in Phase One.

PG&E has provided the City a tentative schedule for the remaining work:

Phase One (Ralston Avenue to south City limit)	Completed in 9/08
Phase One (Ralston Avenue to Marine View)	3/09 – 12/09
Phase Two	1/10 – 6/10
Phase Three	7/10 – 12/10

### **Discussion**

In 2003 when the underground district was adopted, the total construction cost was estimated at \$2,200,000 with a total length of 5800' utilities. The original project length along Old County Road from City of San Mateo to the County limit is approximately 5300'. The portion on Masonic Way between Old County Road and Granada Street that requires relocation is approximately 500'. The above construction cost was based on a preliminary estimate to underground utilities at \$380 per foot.

PG&E indicates to staff that the total estimated cost for the portion between Ralston Avenue and the County limit is approximately \$1,000,000. The total length for this portion of undergrounding is 1100' which is equivalent to \$900 per foot of utilities. Using this new construction unit cost, the estimated total for the whole underground project is approximately \$5,200,000. This amount exceeds the current Rule 20A Fund available for the City.

Based on the allocation credit report provided by PG&E, the City receives approximately \$230,000 accumulation each year towards the Rule 20A Fund. The accumulated balance as of 6/30/08 is \$2,574,794. Since the total estimated project cost exceeds the current fund balance, the project scope of work has to be reduced.

Staff recommends the project to include only the portion on Masonic Way and along Old County Road from the County limit to Marine View Avenue. The new project scope has a total length of 4100' utilities and the estimated project cost is approximately \$3,700,000. This will result in a shortfall of approximately \$1,100,000 from the accumulated Rule 20A Fund to date. In order to allow this project to be completed as scheduled, PG&E indicates they will advance the City's

annual work credit up to five years as allowed to cover the amount in excess of the 2008 allocation. Thus, the City will have a total of \$3,710,134 in available work credits for the proposed project and the financing shortfall of the \$1,100,000 can be charged to the Rule 20A account at PG&E. No additional funding is required from the City.

Questions were raised whether the escalated cost is due to sole sourcing of the construction work. The recent underground work was constructed by ARB, Inc. as a sole source contractor. After discussions and meetings with PG&E, it is indicated to staff that PG&E has a strategic resource process in determining whether or not they will do a project in-house or contract out the work. They have gone through an extensive qualification process to select contractors for projects that are less than \$1 million. These contractors are selected based upon their experience in gas and electric distribution, quality of work, safety, pricing, diversity and track record. Eight contracting firms were selected for work less than \$1 million. The contractor that was used for the Old County Road project is ARB, Inc. who has provided quality work at a very competitive price according to PG&E.

PG&E also indicates to staff that any project greater than \$1 million is competitively bid out much as the City does with our Capital Improvement Projects. The remaining portion of work between Ralston Avenue and Marine View will exceed the \$1 million level and will be competitively bid out. PG&E indicates that the remaining portion of Phase One between Ralston and Marine View has been designed by staff and the plans have been submitted to the other utilities that are using the PG&E utility poles for them to design their facilities. It is anticipated that construction will begin in the first quarter of 2009.

Staff is currently working on the design of the pavement rehabilitation project on Old County Road between Ralston Avenue and the County limit. The estimated construction cost for paving is \$400,000. The project will also include installing street light conduits (\$150,000) and irrigation lines for flower baskets (\$85,000) within the boundaries from Ralston Avenue to County limit. The total estimated project cost is \$635,000 which will be funded by the STP Fund of \$134,000 and Redevelopment Fund of \$501,000. The project is anticipated to go to bid in early 2009.

### **General Plan/Vision Statement**

This project is consistent with the General Plan Public Facilities and Services Goals section (Paragraph 2041), which states “To provide public services at a level adequate to ensure public safety, health and welfare at the lowest possible cost; to establish and maintain all essential public services and facilities in a manner that ensures continued operation in time of emergency.”

### **Fiscal Impact**

The undergrounding project will be paid for by the Rule 20A fund. PG&E estimate for the construction of the project from Marine View Avenue to the south City limit is \$3,700,000. No

additional funding is required from the City.

**Public Contact**

The Council agenda was posted.

**Recommendation**

Provide direction to staff regarding the Rule 20A Project.

**Alternatives**

1. Take no action.
2. Refer back to staff for further information.

**Attachments**

None.

Respectfully submitted,

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