

City Council to Consider Financing of Undergrounding Districts X1A & 1B on Feb. 3, 2025

Citywide undergrounding has been a community goal since 2016, following approval of Measure Q by the voters. With the completion of the Tewa Court/10th Street pilot project and Utility Undergrounding District (UUD) 1A (Stratford Court South) construction underway, the City is working to identify potential funding strategies for undergrounding future districts, starting with UUD X1A (Crest Canyon) and 1B (Stratford Court North).

Staff and the City's financial consultant, NHA Advisors, previously completed a comprehensive financial analysis and developed a dynamic model to assist the City Council with selecting a funding strategy that best addresses the community's goals and project challenges.

Financing strategies under consideration include a "pay-as-you-go" model (no financing); "hybrid" model (initial borrowing, then pay-go); and an accelerated "finance-as-you-go" model (periodic and strategic financing when needed). The timeline for completing the project is 20 to 35 years depending on which strategy is ultimately pursued by the City.

The current base total project cost is estimated to be \$105 million in today's dollars, which may increase to more than \$200 million when applying inflation and financing costs over the life of the project.

On Nov. 18, 2024, the City Council directed staff to work with NHA to further evaluate financing options for the initial borrowing for the City's Undergrounding Program.

The City's Undergrounding Program Advisory Committee (UPAC) and Finance Committee held a joint meeting on Jan. 14, 2025, and recommended that the City proceed with financing UUDs X1A and 1B. The committees further provided feedback regarding the type of financing to be pursued, debt term, and collateral structure.

The City Council will receive a presentation on Undergrounding Program financing options on Feb. 3, 2025. During this meeting, the Council will be asked to provide staff with direction on next steps, including whether to proceed with borrowing the approximately \$17M in funds needed to ensure timely construction completion for UUDs X1A and 1B, which is anticipated for 2026 and 2027.

If the Council does not approve borrowing, construction of UUDs X1A and 1B would be delayed until approximately 2029 and 2031, once sufficient Measure Q reserves are expected to be available. This would also affect the timing for construction of future districts.

With significant changes to the City's understanding of timing and costs for the Undergrounding Program, it is important for residents to get informed and share their thoughts and ideas about how the City should proceed. This is by far one of the largest and most expensive capital projects the City will ever undertake, and community awareness and input are essential.

[Open staff report](#)