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Title: Consider Allocating a New Senior Civil Engineer Position to the Utility Underground Assessment District Program and Appropriating \$168,180 from the General Fund for the Position (Public Works Director Katsouleas).

- a) APPROVE
- b) APPROPRIATE FUNDS

Sponsors:

Indexes:

Code sections:

Attachments: 1. Steps for Forming an Underground District, 2. UUAD Map for Districts 1-14, 3. UUAD Program Administration Responsibilities

Date	Ver.	Action By	Action	Result
7/2/2019	1	City Council Regular Meeting	approved	Pass

TO:
Honorable Mayor and Members of the City Council

THROUGH:
Bruce Moe, City Manager

FROM:
Stephanie Katsouleas, Public Works Director
Prem Kumar, City Engineer

SUBJECT:
Consider Allocating a New Senior Civil Engineer Position to the Utility Underground Assessment District Program and Appropriating \$168,180 from the General Fund for the Position (Public Works Director Katsouleas).

- a) **APPROVE**
- b) **APPROPRIATE FUNDS**

RECOMMENDATION:
Staff recommends that City Council approve the allocation of one Senior Civil Engineer position to the Utility Underground Assessment District (UUAD or District) Program, appropriate \$168,180 from the General Fund to fund the position, and authorize the City Manager to begin the recruitment process.

FISCAL IMPLICATIONS:
An estimated \$168,180 is needed annually to fund a fully burdened staff position to support the UUAD program. For each UUAD that is ultimately approved by homeowners, a corresponding portion of funds used to support this position both retroactively and in the future will be reimbursed to the City

through the assessments levied. If any district fails to form after undertaking a Proposition 218 process, the City will not be reimbursed for any expenditures related to that district, including reimbursement for staff time and design plan expenditures paid to utility companies. Given the number of neighborhoods that have already reached out to the City requesting to form an undergrounding district, staff estimates this position will be needed for up to seven years.

BACKGROUND:

In the early 2000s, the City supported homeowners' desires to underground utility wires, an issue of particular interest where utilities block ocean views, by reestablishing the UUAD program. This program facilitated homeowners' ability to self-assess the total cost of relocating utility wires by utilizing the Proposition 218 process. Total costs generally included City staff time, utility company design fees, construction and cabling, and miscellaneous financing fees. Design fees can run as much as \$300,000 per district, and Assessment Engineering service fees can be up to \$50,000, depending on the range of services requested.

District formation parameters, such as petition thresholds, voting thresholds, and minimum and maximum district sizing, were also established in the mid-2000s and modified by City Council on September 5, 2017, to increase the petition and survey validation thresholds from 60% to 66% and to lower the Prop 218 voting threshold from 60% returned ballots to 50% +1, the legal minimum. However, City Council determined that Districts 8 and 13 need only reach the 60% threshold for the petition and survey validation phases due to having previously been formed under those earlier thresholds.

In the mid-2000s, a total of six Districts (1 through 6) were ushered through the Proposition 218 process, of which five were formed and one was dissolved by City Council. Although Council had the legal right to form District 4, it chose not to based on the narrow margin of the Prop 218 voting results. An additional seven districts (7-13) also undertook the petition process, of which four passed and entered into plan designs (8, 12, 13, and 14). Districts 8 and 13 were dissolved by City Council before they could undertake the Prop 218 process due to the economic recession. Districts 12 and 14 were suspended in 2009 when the entire UUAD program went into a moratorium, but reemerged in 2018 and will soon begin the Prop 218 voting phase (projected to begin in August 2019). District 4 has also reemerged and is currently in the design phase. The attached map highlights the locations of Districts 1-14. Districts 8 and 13 have also reached out to the City to reform, along with another five new neighborhood areas.

In 2005, the City hired a dedicated staff person to administer the UUAD program after recognizing that the coordination and oversight responsibilities required full-time staff resources. With the resurgence of five previously formed districts and interest in other new districts, the program is rapidly placing an increased demand on staff resources again. City Council again recognized the resource burden the UUAD program places on Public Works, and on September 5, 2017, directed staff to explore hiring an engineer to be reimbursed by the districts to manage all of the steps necessary for district formation. At that time, Public Works indicated that it could bring Districts 12 and 14 to a vote utilizing existing resources, but would need a dedicated person if those Districts passed and any new ones formed. With the imminent voting and likely formation of Districts 12 and 14, the advancement of District 4, and the requests received by residents to form an additional seven districts, the demand of the UUAD program has now exceeded our ability to administer the program without either impacting our core Capital Improvement Plan (CIP) staff resources or stalling the UUAD program.

DISCUSSION:

A fundamental component of the program is the City's willingness to provide the financial resources needed for District formation, namely by allocating funds for utility design services, assessment engineering services and staff support to administer the program from initiation through voting, construction and conversion of overhead lines to underground facilities. Notably, in the coming months there is a tremendous amount of work to be done in facilitating the UUAD program for just Districts 4, 12 and 14, which includes:

- Finalizing three Assessment Engineering Reports;
- Preparing for and administering the Prop 218 Process for three districts;
- Preparing for and hosting at least four community meetings to review plans and the assessment methodology;
- Fielding all residential questions during the review and voting process for 641 parcels; and
- Preparing and facilitating all residential correspondence during the upcoming phases, which include notices for public meetings, voting, cash collection period, start of construction, construction updates, etc.

If these three districts pass the Prop 218 process later this year, then a significant amount of work will continue through the next several years as the districts advance through construction and cabling phases. This includes:

- Overseeing construction and keeping residents informed of activities;
- Working with the utilities during construction (facilitating change orders, ensuring compliance with city regulations, etc.);
- Facilitating the overhead to underground conversion process for each parcel, including regular noticing;
- Ensuring compliance with and validating homeowner compliance with conversions, including keeping the utilities updated on conversion rates, which affect the cabling schedule; and
- Project wrap up and close out.

The attachment to this staff report provides a detailed overview of all the steps taken by staff in administering the UUAD program for each individual district that forms, from receiving an initial inquiry from residents through project completion. It clearly demonstrates the depth of staff support needed for each UUAD formed or desiring to form, and thus our request to hire a Senior Civil Engineer now to administer the UUAD program. Please note that staff does not recommend utilizing a consultant in lieu of hiring a staff person for this program for several reasons:

1. It would require existing internal staff resources to oversee a consultant, guide and review their work, process invoices and provide general support in data and coordination. This would take away from the CIP program, which we want to avoid due to the existing workload within that program.
2. Staff support fees would be more expensive (roughly double) for those homeowners who ultimately form a district; it also creates greater financial risk for the City for any district that does not form.
3. As was the case in the mid-2000s, under the current framework, the program administrator would need to be available daily, as needed, for all homeowners in every proposed and

formed district, making it difficult to control consultant costs for resident-driven inquiries and needs. Homeowners in Manhattan Beach expect a high level of engagement and availability, in particular when they are paying for such services, and the extent of their demands is outside the City's control.

4. Estimating the cost of a full-time staff person to address unforeseen challenges after a district has formed is simple and more accurate than trying to estimate consultant costs, in particular given that such costs will have already been included in the assessments passed on to residents. There is no mechanism to reassess residents for additional funds if the City underestimates consultant costs, thus creating additional financial risk that would not occur if hiring staff directly.
5. Public Works has concerns about the likelihood of retaining a single long-term program administrator under the consultant framework for the next five to seven years (should the next seven districts form). Consultant employee turnover has the potential to place additional periodic burdens on our existing CIP staff resources due to "filling the gap and retraining efforts" that would be needed if a consultant leaves his/her firm and is replaced by a new consultant.
6. Lastly, even when considering the retirement liability of a City employee, it is significantly less expensive to hire a City employee than to retain a consultant. As an example, the City's fully burdened rate for a full-time Senior Civil Engineer is \$168,180. The average market rate for a full-time Senior Engineering consultant providing the same level of service is \$150/hour, or roughly \$300,000 per year as a full time employee. Over seven years, the difference between a City employee and a consultant employee is \$922,740. Notably, this difference does not include any additional fees the consultant firm would charge (oversight, overhead), nor does it include the additional productivity loss the City would incur in managing the consultant contract.

For all of these reasons, staff recommends that City Council authorize the City Manager to begin the recruitment process for a Senior Civil Engineer to administer the UUAD program.

PUBLIC OUTREACH:

No public outreach was conducted as part of this request.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

ATTACHMENTS:

1. Steps for Forming an Underground District
2. UUAD Map for Districts 1-14
3. UUAD Program Administration Responsibilities