

Southern California Edison	\$60,000	\$80,000	\$15,000
Frontier (Verizon)	\$116,498	\$123,248	\$*
Spectrum (Time Warner)	\$20,810	\$21,930	\$26,825
<u>Assessment Engineering</u>	<u>\$30,907</u>	<u>\$18,572</u>	<u>\$-</u>
Total Funds Expended	\$228,215	\$243,750	\$41,825

* Verizon was paid \$51,349 for District 15 design services in June 2010 but ultimately refunded its design fee back to the City in June, 2013 following inactivity.

It is important to note that should any assessment district ultimately be approved by a Proposition 218 vote of property owners and City Council, then the engineering design and assessment engineering fees listed above and all other city-incurred expenses are added to the total cost of district formation and recovered. However, these costs are not recovered if the assessment district fails or if it does not proceed to a Prop 218 vote.

BACKGROUND:

Utility undergrounding is the process of placing all overhead utilities (power, telephone, and cable TV wires) and facilities such as electrical transformers underground. The City does not currently own, operate or maintain any overhead utilities, but rather they belong to:

- Southern California Edison (electricity);
- Frontier (formerly Verizon, for telecom and cable and internet); and
- Spectrum (formerly Time Warner and Adelphia, for cable and internet).

Southern California Edison (SCE) carries out overhead to underground conversions through its Rule 20 program. Telecom utilities carry out these conversions through the Rule 40 program, which in many respects mirrors SCE's Rule 20 program. The specific guidelines for *residential* utility conversions are identified under Rule 20B and Rule 40B, respectively.

District Formation

The steps needed to form a district are outlined in Manhattan Beach Municipal Code Section 7.28.010 and were informally amended by City Council on August 1, 2006 (Attachments 1: Staff Report and Attachment 2: Agenda Minutes). A complete overview and the steps needed for district formation are best summarized in the 2007 Utility Undergrounding Fact Booklet (Attachment 3), which documents the most recent Council-approved utility undergrounding process.

As of June of 2017, 16 districts have been proposed by homeowners in Manhattan Beach (see map, Attachment 4). These include:

- District No. 85, 1, 2, 3, 5 and 6, which have all completed the undergrounding process with removal of all poles and overhead wires.
- District 4, which failed under the Proposition 218 process in late 2005.
- Districts No. 7, 9, 10 and 11, which were dissolved due to lack of support among affected homeowners during the survey validation process. Funds were not expended on design plans for these districts.
- Districts 8 and 13, which were dissolved by City Council in 2009 although they met the support

thresholds to proceed with the Prop 218 process.

- Districts 12, 14 and 15, which are considered active and unresolved. They remain pending in the design planning stage and have not been voted on (Prop 218) by homeowners.

The specific status of UUADs 12, 14 and 15 is as follows:

District 12 and 14 Status

District 12 is located in north El Porto and includes 228 parcels. In July 2004, residents submitted petitions indicating that 61.8% of the residents within the district boundary were generally in favor of undergrounding their utilities. The City's Petition Validation Survey ultimately showed that 58.6% of those parcels who returned the City's survey supported undergrounding.

District 14 is located in south El Porto and includes 240 parcels. In September 2005, residents submitted petitions indicating that 60.8% of the residents within the district boundary were generally in favor of undergrounding their utilities. The City's Petition Validation Survey showed that 60.0% of those parcels who returned the City's survey supported undergrounding.

Based on City Council direction provided at the November 21, 2006 Council meeting (see Attachments 5 and 6), staff initiated design plans for both districts in 2006. Those plans are now complete for District 12, while District 14 still lacks final design plans from Spectrum.

The City also retained an Assessment Engineer to prepare an allocation formula and calculate "rough order magnitude" individual assessments for each parcel within District 12. That Assessment Engineer's Report was only preliminary because actual construction costs were never obtained from the utility companies.

In order to move forward with formation of District 12 and 14, the following direction/steps are needed:

1. The final design plans need to be reviewed by both City staff and the three utility companies (SCE, Frontier and Spectrum) for accuracy and verification of constructability.
2. Staff must conduct public meetings regarding: 1) the physical infrastructure locations (i.e., where vents, vaults and street lights will be located) and 2) how the cost will be allocated to each parcel (i.e., the special benefit methodology required under Prop 218).
3. Updated and accurate bids are needed from each of the three utilities to incorporate into a final Assessment Engineers Report.
4. City Council must authorize staff to mail out ballots (minimum 45-day voting period). During the 45-day phase, another public meeting will be held to explain the assessment calculations and ranges applied to each parcel.
5. Pending the outcome of the Prop 218 process, the district will form and move into construction or be dissolved.

Additional directions/steps are needed for District 14, which include:

1. Complete design plans for Spectrum. Currently none exist.

District 15 Status

In June 2006, property owners proposed forming a new undergrounding district in the hill section of Manhattan Beach, which is located fully within the boundaries of former District 4. The proposed

boundaries included 61 parcels and met City policy and utility company guidelines. The new district was assigned No. 15 and a letter along with a map of the district boundaries was sent by the City informing all affected homeowners of the petition drive underway. The district was eventually expanded to include 13 additional parcels, for a total of 74. District 15 was proposed under the new guidelines approved by City Council in 2006.

District 15 is zoned as single family residential and is generally described as bounded by the following streets (see also Attachment 4, Location Map):

- 1st Street - from Poinsettia Ave to Dianthus St
- Duncan Place - from Poinsettia Ave to Dianthus St
- Duncan Avenue - from Dianthus St to Sepulveda Blvd
- Poinsettia Avenue - from 1st St to Duncan Pl
- Dianthus Street - from 1st St to Duncan Ave

Property owners within proposed District 15 submitted signed petitions of at least 60% of the affected homeowners on October 25, 2006. City staff subsequently mailed out a 45-day City Validation Survey to all affected property owners in order to confirm their support for or opposition to utility undergrounding in District 15. The results of the survey were confirmed on December 15, 2006 and indicated that 66.2% of property owners responding were in favor of moving the district forward to pricing and a Proposition 218 ballot vote. Consequently, on January 2, 2007, City Council initiated District 15 by approving funding for Southern California Edison engineering designs.

District 15 initiated designs with SCE. Draft plans were completed and the final design review still needs to be completed. Frontier and Spectrum have not initiated any design work to date.

In order to move forward with formation of District 15, the following direction/steps are needed:

1. The final design plans for SCE, Frontier and Spectrum need to be completed and then reviewed by City staff for accuracy and verification of constructability.
2. Staff must conduct a public meetings regarding: 1) the physical infrastructure locations (i.e., where vents, vaults and street lights will be located) and 2) how the cost will be allocated to each parcel (i.e., the special benefit methodology required under Prop 218).
3. Updated and accurate bids are needed from each of the three utilities to incorporate into a final Assessment Engineers Report.
4. City Council must authorize staff to mail out ballots (minimum 45-day voting period). During the 45-day phase, another public meeting will be held to explain the assessment calculations and ranges applied to each parcel.
5. Pending the outcome of the Prop 218 process, the district will form and move into construction, or be dissolved.

DISCUSSION:

Districts 12, 14 and 15 were initiated by residents and approved by the City more than 10 years ago. However, due to Council direction, community input and staff resources, the undergrounding program has been inactive for the past seven years. These districts have completed the phases necessary to initiate the district and are now in various stages of the utility design as described above.

To move these districts forward, there are a variety factors and/or City actions that need to be

resolved. These include:

- Paying for and completing utility design plans for Districts 14 (Spectrum) and 15 (SCE, Frontier and Spectrum). Staff has not yet explored but would recommend investigating whether the plans could be completed by an outside vendor approved by SCE, Frontier and Spectrum. This has the potential to expedite the design phase and reduce design cost to the district.
- Determining whether the City could or would prefer to bid and oversee the construction and cabling project in lieu of relying on the utilities. This could result in substantial savings to the district because each utilities' "overhead premium" would be eliminated from the bids. The cost would still need to include utility inspectors during construction and cabling. Please note that as of 2008, SCE indicated that would add 40% to the estimated cost of construction and cabling as overhead charges.
- Receiving bids for the undergrounding construction and cabling project. This requires significant coordination with the three utilities prior to implementing a Prop 218 process unless the construction project is bid by the City.
- Retaining an assessment engineer to finalize the methodology and per-parcel allocation for each district based on bids received and administering the Prop 218 process.
- Should the districts be approved through the Prop 218 process, a dedicated staff engineer will need to be hired to administer the construction, cabling and overhead to underground conversion process as it requires a significant amount of staff time. Please recall, however, that the City's staff costs are fully paid for by the district assessments.

CONCLUSION:

Staff recommends that City Council provide direction to staff on whether to and under what circumstances to proceed with formation process for UUADs 12, 14, and 15. Based on the direction received, iterative steps and/or future decision-making may be necessary. Therefore, consider the following:

1. Confirm whether the City will allow Districts 12, 14 and 15 to move forward or whether to terminate the undergrounding program.
2. Confirm whether the City will advance funding to complete design plans and assessment engineering services, or whether that expense should be borne by the districts.
 - a. Staff will investigate the most cost-effective and expeditious method to complete design plans.
 - b. If plan design expenses are to be paid by district proponents, staff will work with directly with them to set up that process.
3. Confirm whether the City will take over the entire capital project, including bidding and construction oversight, or whether that should be coordinated through the utility companies as has been done in the past.
4. Confirm the timeline for moving districts forward. There is currently no one on staff to dedicate time to this unplanned activity. However, with the additional staff engineering resources proposed, the Engineering Division can absorb the time needed to bring the districts to a Prop 218 vote. As mentioned above, a dedicated staff person will need to be hired for the

construction and cabling phases.

POLICY ALTERNATIVES:

Dissolve the districts and do not move forward with utility undergrounding for UUADs 12, 14 and 15.

PROS:

No additional City resource would be needed to process district formation.

CONS:

There would be no mechanism to potentially recover the \$513,790 in funds expended to date on designs plan for Districts 12, 14 and 15.

PUBLIC OUTREACH/INTEREST:

The key interested parties for Districts 12, 14 and 15 have met with City staff regarding reinvigorating these districts and have been informed of this agenda item.

ENVIRONMENTAL REVIEW:

Not applicable at this time.

LEGAL REVIEW:

If the Council so directs, the City Attorney will analyze whether additional research is necessary regarding compliance with Proposition 218, the Council's 2006 guidelines, and PUC Rules.

Attachments:

1. August 1, 2006 Staff Report
2. August 1, 2006 Agenda Minutes
3. Utility Undergrounding Fact Booklet, 2007
4. Location Map
5. November 21, 2006 Staff Report
6. November 21, 2006 Minutes
7. PowerPoint Presentation