



Agenda Item # \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Fahey and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager

**FROM:** Neil C. Miller, Director of Public Works  
Dana Greenwood, City Engineer  
Stephanie Katsouleas, Senior Civil Engineer

**DATE:** July 19, 2005

**SUBJECT:** Consideration of Issues Associated with the Underground Utility Assessment Districts 6 – 10 and Appropriation of Funds.

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### RECOMMENDATION:

Staff recommends that the City Council:

1. Receive and file this report as a “Certificate of Sufficiency” indicating that more than 60% of the property owners of the newly proposed Underground Utility Assessment Districts 7-10 have signed a petition and requested the proposed improvements.
2. Appropriate funds in the amount of \$250,000 from the General Fund for Southern California Edison (SCE) for their engineering services for Districts 7-10.
3. Appropriate Funds in the Amount Of \$9,518 from the General Fund for Adelpia Engineering Services for District 6.
4. Appropriate funds in the amount of \$8,553 from the General Fund for additional Hall & Forman assessment engineering services for District 6.
5. Receive and file this status report regarding current and proposed underground utility district activity in the City of Manhattan Beach.

### FISCAL IMPLICATION:

The total costs for current engineering services are:

- \$250,000 for Southern California Edison (Districts 7-10);
- \$9,518 for Adelpia Cable (District 6); and
- \$8,553 for Hall & Forman (District 6).

It is important to note that should the assessment districts be approved, then these engineering service fees will be added to the total cost of the assessments and recovered. If the assessment districts are not approved, the City will not be able to recover the costs for Southern California Edison, Adelphia and Hall & Forman engineering efforts. Funds are available from the General Fund.

Additionally, several factors impact the estimated total cost (\$700,000 - \$750,000) that may be ultimately incurred by the City in determining the individual residential assessment amounts for Districts 7-10. These include the design fees required by each utility, the fees charged by the assessment engineer and staff time. Although a quote for Adelphia’s design services has not yet been received, staff estimates that it would be similar to the fees charged for Districts 1-5, which ranged from \$7,000 to \$13,000. Estimates are as follows:

District	Number of Parcels	Southern California Edison	Verizon	Adelphia	Assessment Engineer*	Staff
District 7	62	\$30,000	\$35,336	TBD	\$23,000	\$10,000
District 8	139	\$40,000	\$50,336	TBD	\$23,000	\$10,000
District 9	210	\$80,000	\$85,603	TBD	\$23,000	\$10,000
District 10	248	\$100,000	\$110,672	TBD	\$23,000	\$10,000
<b>Total</b>	<b>659</b>	<b>\$250,000</b>	<b>\$281,947</b>		<b>\$92,000</b>	<b>\$40,000</b>

TBD – To be Determined; previous fees ranged from \$7,000 - \$13,000

\* These are estimates only, based on the current fees for District 6.

Verizon’s design fees are significantly higher than those charged for Districts 1-6. Staff is reviewing the quote and will try to renegotiate these rates with Verizon for Districts 7-10. Once the amounts have been finalized, staff will request appropriations from City Council. Due to the length of time SCE will require to complete its plans (9-18 months), we have sufficient time to address this objective.

Please note that in 2000, City Council began appropriating funds for design plans for Districts 1-6. The total amount spent prior to district formation for Districts 1, 3 and 5 was approximately \$229,121. These three districts were approved by residents on March 16, 2004 and funds expended were subsequently reimbursed to the City’s general fund. Funds appropriated for Districts 2, 4 and 6 total approximately \$288,106. Formation of Districts 2, 4 and 6 will be voted on in approximately six months, and if passed these funds will also be reimbursed to the City’s general fund.

**DISCUSSION:**

***Certificate of Sufficiency for Districts 7-10***

The newly proposed assessment districts can generally be described as:

- Underground Utility District 7 (19<sup>th</sup> Street between Flourney Road and Ardmore Ave.)
- Underground Utility District 8 (The Strand to Manhattan Ave. from 8<sup>th</sup> Street to 15<sup>th</sup> Street)
- Underground Utility District 9 (Anderson St. to Larsson St. from 2<sup>nd</sup> Street to 8<sup>th</sup> Street)

- Underground Utility District 10 (Ardmore Ave. to Poinsettia Ave. from 9<sup>th</sup> Street to 11<sup>th</sup> Pl.)

A group of property owners of the proposed Underground Utility Assessment Districts (UUAD) 7-10 have submitted signed petitions of over 60% as required by Resolution 5420, which was adopted by City Council in 1998 (also see Attachment A – UUAD Formation Process). They have requested that the City enact the proceedings to formalize the formation of the districts which contain the following:

Districts	Number of Parcels	Number of Signatures of Property Owners	% Support
District 7	62	38	61%
District 8	139	84	60%
District 9	210	135	64%
District 10	248	156	63%

It is important to note that the Council is not forming districts at this time. The Council is merely approving the necessary requirements to begin the process to formalize the formation of the districts. Utility undergrounding is a complex project which can take an estimated 2 to 4 years to complete, depending on the specific details of the project.<sup>1</sup> Southern California Edison must complete its design plans before Verizon and Adelphia begin, as SCE’s plans are the basis for other utility designs. Southern California Edison estimates that the initial design process for UUADs 7-10 may take from 9-18 months to complete. Following that, Verizon and Adelphia will need at least three months to complete their preliminary designs.

***Southern California Edison Engineering Services for Districts 7-10***

Southern California Edison has requested a \$250,000 engineering fee for the engineering and design services for the proposed Districts 7-10. Initial costs include preliminary engineering investigation and recommendations regarding district boundaries. Once these plans are complete, Verizon and Adelphia must also provide design plans which will be based on SCE’s plans. Although a quote for Adelphia’s design services has not yet been received (see below), staff estimates that it would be similar to the fees charged for Districts 1-5, which ranged from \$7,000 to \$13,000. Thus, the estimated total cost for utility design plans, assessment engineering and staff time for Districts 7-10 is \$700,000 - \$750,000. Again, this estimate is based on the following:

District	Number of Parcels	Southern California Edison	Verizon	Adelphia	Assessment Engineer*	Staff
District 7		\$30,000	\$35,336	TBD	\$23,000	\$10,000
District 8		\$40,000	\$50,336	TBD	\$23,000	\$10,000
District 9		\$80,000	\$85,603	TBD	\$23,000	\$10,000
District 10		\$100,000	\$110,672	TBD	\$23,000	\$10,000
<b>Total</b>		<b>\$250,000</b>	<b>\$281,947</b>		<b>\$92,000</b>	<b>\$40,000</b>

<sup>1</sup> Please see Attachment A: Underground Utility Assessment District Formation Process.

TBD – To be Determined; previous fees ranged from \$7,000 - \$13,000

\* These are estimates only, based on the current fees for District 6.

As mentioned earlier, Verizon's design fees are significantly higher than those quoted for Districts 1-6. Staff is trying to renegotiate these rates with Verizon for Districts 7-10, and will request appropriations from City Council once the amounts have been finalized.

The Assessment Engineer (to be determined) will prepare the Engineer's Report as well as the necessary materials for the mailed ballot vote for the districts once design plans and construction estimates have been received and finalized. The Assessment Engineer will also finalize the per-parcel cost for project design and construction prior to the mailed ballot vote and ultimate formation of each district. By doing so, the most accurate information and cost estimate will be given to property owners to make their final decision to create the districts.

The proposed District 7-10 property owners have committed much time and effort to gain support for the project and want to proceed with the project without delay. Due to these factors, the Public Works Department recommends proceeding with each future district on an individual basis.

#### ***District 6 Engineering Services***

The City Council has previously approved funding for design plans from Southern California Edison and Verizon for District 6, and these plans have been completed and submitted. However, Adelphia's design plan for District 6 is still outstanding. Construction bids, and hence assessment calculations for this district cannot be determined until all three utilities have completed their design plans. Requested funds in the amount of \$9,518 will be used to reimburse Adelphia for this work. Staff is currently working with Adelphia to complete this task as soon as possible. If Adelphia is able to complete the required plan in a timely manner, formation of District 6 will be able to proceed in conjunction with Districts 2 and 4 (see below).

Additionally, although the City's contract with the current assessment engineer, Hall & Forman, identifies Districts 1-5 in its scope of work for assessment engineering services, it does not include District 6. Consultant rates have increased since May 2, 2000, when the City Council first approved \$12,847 for District 6. The current cost for engineering services for District 6 is \$21,380, an increase of \$8,533 over what was originally approved. Staff recommends that a contract addendum be issued to include this work at the new rate.

***Status Report on Districts 1-6***

Underground Utility Assessment District's 1, 3 and 5 are currently in the construction phase. It is estimated that construction will be complete by March 2006, with new wiring, transformers, switches, etc. installed afterward (4 to 6 months). Residents will have 180 days following completion to connect to the new systems. After the 180-day period, the City will connect all remaining properties that have not already done so and place tax liens on those properties to recover connection costs. Once all households in each district have been connected to the new systems, the last step will include the removal of all overhead poles. Ideally, all activities for Districts 1, 3 and 5 will be completed by the end of 2007.

Final design plans for Underground Utility Assessment District's 2 and 4 have been received from all three utility companies, and residential community meetings are planned for August. Staff is currently working with the utilities to establish a timeline for obtaining accurate construction bids so that the Assessment Engineer's report can be finalized and presented to City Council in October. Mailing ballots, conducting public hearings and counting votes will immediately follow. If residents vote in favor of the assessment and districts are formed, bond sales are projected to take place by April 2006.

Finally, although District 6 plans have not been received from Adelphia, as mentioned above, a community meeting will be held in August. Further progress on the formation of Districts 2, 4 and 6 ultimately depend on when Adelphia's plans are received and when construction bids can be obtained from Edison for the total work to be performed.

Attachment: A: Underground Utility Assessment Districts Formation Process  
B. GIS Map

xc: Robert V. Wadden, Jr., City Attorney  
Henry Mitzner, Controller

## Attachment A

### City of Manhattan Beach Underground Utility Assessment Districts Formation Process

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#### **BACKGROUND:**

In 1990, the City Council adopted Resolution No. 4694 which details the City's policy regarding utility undergrounding of existing overhead utilities (electrical, telephone, cable television). The policy states, "It is the desire of the City Council to be responsive to residents who want to be assessed for utility undergrounding, as well as to respect those who do not wish to pay for utility undergrounding, therefore:

1. Undergrounding will not be forced upon residents.
2. The City will respond to the requests of those desiring undergrounding, rather than being active supporters.
3. The City Council will require a two-thirds (2/3) showing of support of property owners benefiting from the assessment district before any city funds will be appropriated." In 1998, the two-thirds requirement was reduced to 60% by Resolution No. 5420.

#### **UNDERGROUND UTILITY ASSESSMENT DISTRICT FORMATION PROCESS:**

The general steps taken towards forming a district are identified in Table 1 below. After residents have met the Petition of Sufficiency requirement and submitted signatures, the City authorizes expenditures for utility design plans from Southern California Edison, Verizon and Adelphia Cable as well as for an assessment engineer. These plans are the basis for determining how much actual construction costs will be, and hence the amount that will be assessed to residents if they choose to proceed with undergrounding of their utilities. An Engineer's Report, as required by law, details the cost for each individual parcel of land in the proposed assessment district. In addition, the Report explains the method for distributing the cost of the project among all of the affected property owners. The Public Works Department will request that the utility companies prepare detailed plans and cost estimates for the work to complete the District which will be incorporated into the Report.

### **Simplified Overview of District Formation**

1. Residents meet with City Staff regarding forming a district and establish District boundary.
2. Residents submit petitions showing that at least 60% of property owners within the defined District are in favor of utility undergrounding
3. Staff requests that City Council accept District petition of sufficiency, and approve funding for utility design plans and assessment engineering services
4. All three utility (Southern California Edison, Verizon and Adelphia Cable) design plans to underground existing utilities; designs are presented to residents
5. Construction quotes are obtained and assessment fees are determined based on finalized utility design plans
6. Ballots are mailed to residents, who then have a minimum of 30 days until ballots are due back and a public hearing is held
7. Public hearing is held, ballots are counted and district is formed if at least 50% of weighted returns are in favor of the assessment
8. Bonds are sold to fund construction and residents are assessed
9. Construction, wiring, connection and pole removal activities occur.

**Table 1. Simplified Overview of District Formation.**

The assessment district formation process must comply with the provisions of the Municipal Improvement Act of 1913 and California State Proposition 218. These provisions determine what is legally possible for the formation of assessment districts. Under the California State Constitution, each property owner in the assessment district receives a ballot in the mail. The property owner will then have a minimum of 30 days to either approve or reject the proposed assessment. The ballot must then be returned to the City by the specified deadline if it is to be counted. The returned ballots are counted during a public hearing, typically at a City Council meeting. The district may be formed and the assessments made valid if a majority of the weighted returned ballots are in favor of the assessment. The weighted value of each ballot is based on the amount to be assessed to each parcel. For example, a parcel to be assessed \$12,000 would have a higher weighted ballot value than a parcel assessed \$10,000 by a factor of 1.2. The Council may form the assessment district by adopting a resolution and ordering the Assessment Diagram to be recorded with the County Assessor. The City Council will then call for bids for the sale of bonds for the construction of the project. Upon formation of the districts, the costs of the project design plans and specifications already paid to the utility companies are included in the cost of the assessment district and recovered by the City.

Should the District be formed, an official notice from the City will be mailed to all property owners informing them of the creation of the assessment district and the amount due. The property owners will then have 30 days to pay for the assessment. Any unpaid assessments will be recorded as a lien on the property and can be paid over a period not to exceed 20 years. The

City will provide the County Assessor with a list of all of the unpaid assessments. The unpaid portion will be added to the Assessor's tax roll and will be billed with other property taxes.

## **FUTURE UNDERGROUND UTILITY ASSESSMENT DISTRICTS**

Interest in Underground Utility Assessment Districts is significant. There are currently 12 active or proposed districts within the City of Manhattan Beach. Of these, three are in the construction phase, three have completed design plans and are near voting on the formation of districts, and six have submitted Petitions of Sufficiency in order to initiate the district formation process. Additionally, staff has received numerous inquiries from residents interested in starting the Petition of Sufficiency process.

Although there may be some economies of scale by combining adjacent proposed districts, it is not practical to administer, design, and construct large districts. The Public Works Department recommends proposed district boundaries that keep the amount of properties within each district at a manageable and practical number (150-300 homes) and balances this with the existing orientation of the utilities' facilities. Various other factors also influence the size of the district. These include:

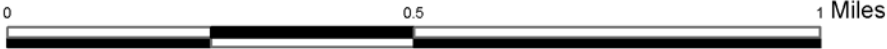
- Staffing limitations among both the City and utilities to administer the entire process. By increasing the size of a district, the Public Works Department is limited in its flexibility to accommodate the project within its current Capital Improvement Program work load. Additionally, larger districts require more time (up to twice as long) for utilities to complete their designs.
- A larger district will increase the construction schedule by the contractor and the effect on the properties within the district. Due to the logistics of the project area, most of the work will take place in narrow alleys (15' to 25' wide) where the existing overhead utilities are located. A longer construction schedule will cause an increase in the disruption to residents within the district.
- The size of the district affects the total amount of service connection work to be performed, and ultimately removal of existing overhead facilities and poles. The service connection work is a critical phase of the project since the individual property owners arrange and pay for their own service conversion. It has been the Public Works Department's experience that this phase of the work may extend the project schedule due to property owners delaying the conversion as long as possible.



# City of Manhattan Beach

## Current Underground Utility Assessment Districts

- Districts 1, 3, 5: Under Construction
- Districts 2, 4, 6: In Design
- Districts 7-10: Proposed



07/19/2005

