



Staff Report

City of Manhattan Beach

TO: Honorable Mayor Ward and Members of the City Council

THROUGH: Richard Thompson, Interim City Manager

FROM: Jim Arndt, Director of Public Works
 Steve Finton, City Engineer
 Gilbert Gamboa, Senior Civil Engineer

DATE: February 2, 2010

SUBJECT: Status Update and Consideration of Continuation OR Dissolution of Initiated Underground Utility Assessment Districts (UUAD) 12, 14 and 15.

RECOMMENDATION:

Staff recommends that the City Council discuss the future of Initiated UUADs 12, 14 & 15 and provide direction to staff.

FISCAL IMPLICATION:

Table 1 indicates potential refunds from utility companies in the approximate amount of \$100,000 if UUADs 12, 14 & 15 are dissolved. The City deposited a total of \$437,487 with Southern California Edison, Verizon and Time Warner. The potential refunds reflect the unused portions of those deposits at this time.

TABLE 1				
POTENTIAL REFUNDS	District 12	District 14	District 15	Total
Design Payments made to Utility Companies	\$197,308	\$225,179	\$15,000	\$437,487
Cost of Utility Design Efforts to date (estimated)	\$157,308	\$165,179	\$15,000	\$337,487
Estimated Potential REFUND if UUADs Dissolved (estimated)	\$40,000	\$60,000	\$0	<u>\$100,000</u>

Table 2 indicates additional expenditures in the amount of \$199,174 would be required if UUADs 12, 14 & 15 proceed. Verizon and Time Warner design fees in the amount of \$78,174 would need to be paid for District 15 to proceed and Assessment Engineering costs in the amount of \$121,000 would be incurred as described below in Table 2.

TABLE 2				
ADDITIONAL COSTS IF UUADS MOVE AHEAD	District 12	District 14	District 15	Total
Design Costs	\$0	\$0	\$78,174	\$78,174
Assessment Engineering Costs	\$46,000	\$46,000	\$29,000	\$121,000
Estimated Additional Costs if UUADs Move Forward	\$46,000	\$46,000	\$107,174	<u>\$199,174</u>

Table 3 indicates a net reduction in costs in the amount of \$299,174 if UUADs 12, 14 & 15 are dissolved. This reflects the estimated refund as indicated in Table 1 and the avoidance of costs indicated in Table 2.

TABLE 3				
FISCAL IMPACT OF UUAD DISSOLUTION	District 12	District 14	District 15	Total
Estimated Refund	\$40,000	\$60,000	\$0	\$100,000
Cost Avoidance	\$46,000	\$46,000	\$107,174	\$199,174
Total Fiscal Impact/ Reduction in Costs	\$86,000	\$106,000	\$107,174	<u>\$299,174</u>

Reimbursement of Costs if UUADs are Established

Administrative, design and assessment engineering costs related to UUADs that are not ultimately formed would not be reimbursed to the City. Dissolution of the three Districts would eliminate the possibility of the City being reimbursed by property owners for design expenses incurred to date which total approximately \$337,487 (Table 1, line 2).

BACKGROUND

Six UUADs have been formed in the City of Manhattan Beach. UUADs 85, 1, 3 and 5 are complete, UUAD 2 is virtually complete and UUAD 6 is currently being completed. As of 2006, five UUADs were still in process including UUADs 8, 12, 13, 14 and 15.

October 6, 2009 and December 1, 2009 City Council Actions

On October 6, 2009, resolutions to initiate Districts 8 and 13 formation proceedings were presented for City Council consideration. At that meeting, the City Council reviewed the proposed assessments for each District, listened to public testimony and subsequently voted to dissolve District 8. Furthermore, the City Council reviewed the proposed assessment methodology and deemed that benefit assignments ranged too greatly among similarly situated parcels located in District 13. City Council directed City staff and the Assessment Engineer to return with a revised assessment methodology that more accurately reflected the special benefits among similarly situated parcels within the legality of assessment creation and in compliance with Proposition 218.

After the October 6, 2009 City Council meeting, City staff and the Assessment Engineer developed an assessment methodology consistent with City Council's prior direction. On December 1, 2009,

resolutions to initiate District 13 formation proceedings were presented for City Council consideration. At that meeting, the City Council reviewed the proposed assessments and revised methodology for District 13, listened to public testimony and subsequently voted to dissolve District 13.

In light of the City Council's actions on October 6, 2009 and December 1, 2009, City staff directed the utility companies to suspend their design efforts pending a decision from City Council to proceed with or to dissolve the three pending Districts (UUADs 12, 14 & 15).

District 12 & 14 Background

District 12 is generally bounded by 41st Street, 45th Street, Highland Avenue and The Strand (see Attachment A). The boundaries of the adjacent District 14 can generally be described as Rosecrans Avenue, 41st Street, Highland Avenue and The Strand (see Attachment B). Both Districts 12 and 14 are zoned for high density residential housing.

Property owners within the proposed Districts 12 and 14 have previously submitted signed Citizen Petitions of at least 60% of the affected property owners in each district in July, 2004 and September, 2005; respectively. Furthermore, beginning in June, 2006 before any funds were allocated to initiate the districts, the City conducted a five-month City Validation Survey campaign to confirm whether or not the majority of property owners in Districts 12 and 14 were still interested in paying the assessments necessary to underground the overhead utilities in their respective neighborhoods. With more than 85% of homeowners in both districts responding to the survey, the results showed that 58.6% of District 12 homeowners and 60.5% of District 14 homeowners answering the survey were still in favor of moving the districts forward to pricing and a Proposition 218 ballot vote. Therefore, in November, 2006, the City Council initiated Districts 12 and 14 by approving funding for Southern California Edison designs (even though District 12 did not achieve the 60% survey threshold to move forward). Results are tabulated in Table 5.

District 15 Background

In June 2006, property owners proposed forming a new undergrounding district in the hill section of Manhattan Beach 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 Citizen Petition drive underway.

In October, 2006 District 15 proponents proposed expanding the boundaries to include 13 additional parcels due to additional homeowner support for undergrounding. The additional parcels also met City policy and utility company guidelines and were added to District 15. A second letter was sent by the City noticing all affected homeowners of the expanded boundaries which now include a total of 74 parcels.

Streets located in District 15 (zoned as single family residential) are generally described as (see Attachment C):

- ◆ 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 Citizen 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 districts forward to pricing and a Proposition 218 ballot vote. Consequently, on January 2, 2007, the City Council initiated District 15 by approving funding for Southern California Edison engineering designs. Results are tabulated in Table 5.

City Undergrounding Approval Thresholds

Table 4 summarizes approval thresholds required by current City policy at the various steps in the proposed UOAD formation process:

TABLE 4				
District	Citizen Petition	City Validation Survey	Weighted Ballot Vote	Actual "Raw" Ballot Vote
12 & 14	60%	60%	50%	50%
15 & future	60%	60%	50%	60%
% of...	Total Parcels	Returned Surveys	Prop. 218 (return)	Prop. 218 (return)

Summary Results of District 12, 14 and 15 Citizen Petition & City Validation Survey

TABLE 5		
District	Citizen Petition %	City Validation Survey Results
District 12 (217 Parcels at time of survey)	61.8% (July 2004)	186 City Validation Surveys Returned (85.7% Response Rate, November 2006)
		109 in favor (58.6% of those returned)
		77 opposed (41.4% of those returned)
		\$197,308 funds expended to date (Table 1, line 1)
District 14 (233 Parcels at time of survey)	60.8% (Sep. 2005)	205 City Validation Surveys Returned (88% Response Rate, November 2006)
		124 in favor (60.5% of those returned)
		81 opposed (39.5% of those returned)
		\$225,179 funds expended to date (Table 1, line 1)

TABLE 5 Cont. District	Citizen Petition %	City Validation Survey Results
District 15 (74 Parcels at time of survey)	60.8% (Oct. 2006)	65 City Validation Surveys Returned (87.8% Response Rate, December 2006)
		43 in favor (66.2% of those returned)
		22 opposed (33.8% of those returned)
		\$15,000 funds expended to date (Table 1, line 1)

DISCUSSION:

Staff is requesting City Council direction regarding continuation or dissolution of pending Districts 12, 14 and 15. These districts have not yet been formed and are presently in various stages of the utility undergrounding design and review effort.

If the Districts are Dissolved

If the City Council elects to discontinue the undergrounding process in Districts 12, 14 and 15 by dissolving these Districts; the fiscal impact would result in a reduction/avoidance in utility design and assessment engineering costs in the amount of approximately \$299,174 (Table 3, line 3). Additionally, Public Works Department staff resources currently dedicated to undergrounding would be reallocated to capital improvement projects.

Administrative, design and assessment engineering costs related to UUADs that are not ultimately formed would not be reimbursed to the City. Dissolution of the three Districts would eliminate the possibility of the City being reimbursed by property owners for design expenses incurred to date which total approximately \$337,487 (Table 1, line 2).

If the Districts Continue

If the City Council elects to continue the undergrounding process in Districts 12, 14 and 15; the City would be required to pay an additional \$199,174 (Table 2, line 3) for further design and assessment engineering expenses bringing total design and assessment engineering costs to \$636,661 for the three Districts (Table 1, line 1 plus Table 2, line 3). Should any of the Districts not ultimately form, design and assessment engineering expenses would not be reimbursed to the City. Additionally, City staff resources would continue to be dedicated to undergrounding.

The ensuing district formation milestones for Districts 12, 14 and 15 include:

- Completion and Review of Design Plans
- Plan Review Community Meetings
- Bidding and Pricing by Utilities
- Development of Assessment Methodology
- Assessment Methodology Community Meetings
- Development of Preliminary Engineer’s Report
- District Formation Proceedings (Prop. 218 balloting procedures)

The estimated time to complete this process is approximately two to three years, but will ultimately depend on each utility's ability to complete design plans in a timely manner and collectively enter into the bidding and pricing phase.

District Cost Estimates

As part of the comprehensive 2006 Undergrounding Survey effort conducted to reevaluate the level of homeowner support for or opposition against undergrounding, City staff included an estimated potential range of assessments in the survey for each district. Actual assessment ranges determined in 2009 for Districts 8 & 13 were in excess 50% higher than indicated in the 2006 survey. It was determined that the discrepancy was caused by an underestimation of the extent of construction required to complete the undergrounding. Staff has also determined that the 2006 survey issued for Districts 12 and 14 contained estimated assessment ranges with the same magnitude of error. Actual assessment ranges for District 12 and 14 will be significantly higher than indicated in the 2006 survey. Actual assessments can only be determined after construction bids are completed and pricing invoices received from the utility companies. District 15 is not subject to the same error.

The Southern California Edison Company has informed the City that future UUADs must pay a 40% administrative overhead markup. This markup will not be charged on UUADs 12, 14 and 15.

Over 500 notices were sent to all affected property owners in Districts 12, 14 and 15 regarding this City Council agenda item (see Attachment D).

Future Underground Utility Districts

In response to a previous informal directive, staff has not been accepting requests to initiate any new utility underground districts. Staff will continue this directive until directed to do otherwise.

SUMMARY:

Currently the City has a moratorium on commencing any future undergrounding districts. City staff recommends that City Council discuss the future of the remaining Districts 12, 14 and 15 and confirm the moratorium on any new districts.

Attachments:

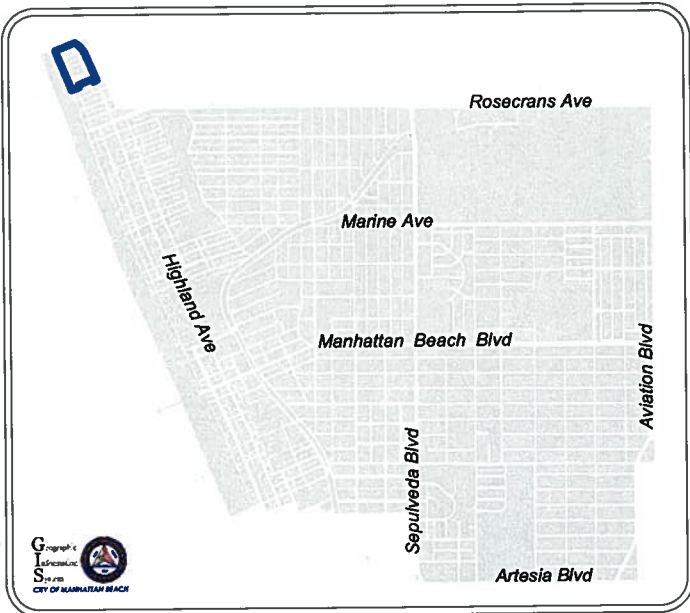
- A. GIS Map District 12
- B. GIS Map District 14
- C. GIS Map District 15
- D. Notice of Public Meeting

xc: Robert V. Wadden, City Attorney
Bruce Moe, Director of Finance

ATTACHMENT A

City of Manhattan Beach

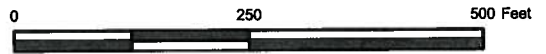
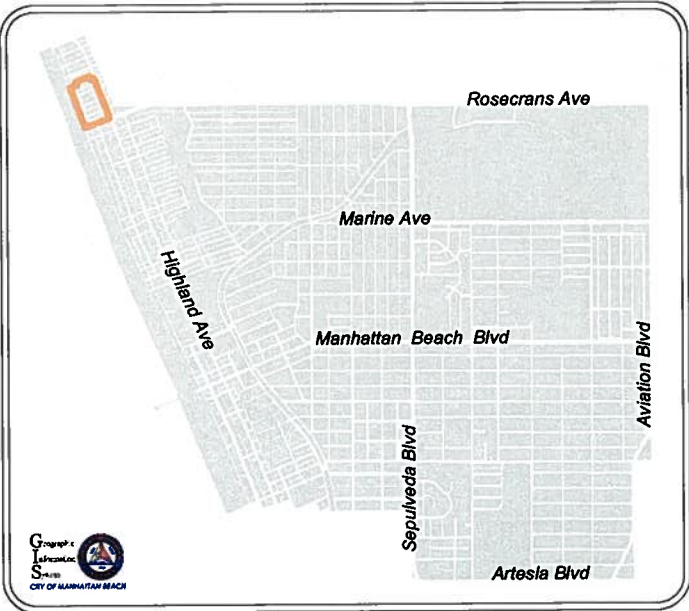
**Underground Utility
Assessment District #12**



ATTACHMENT B

City of Manhattan Beach

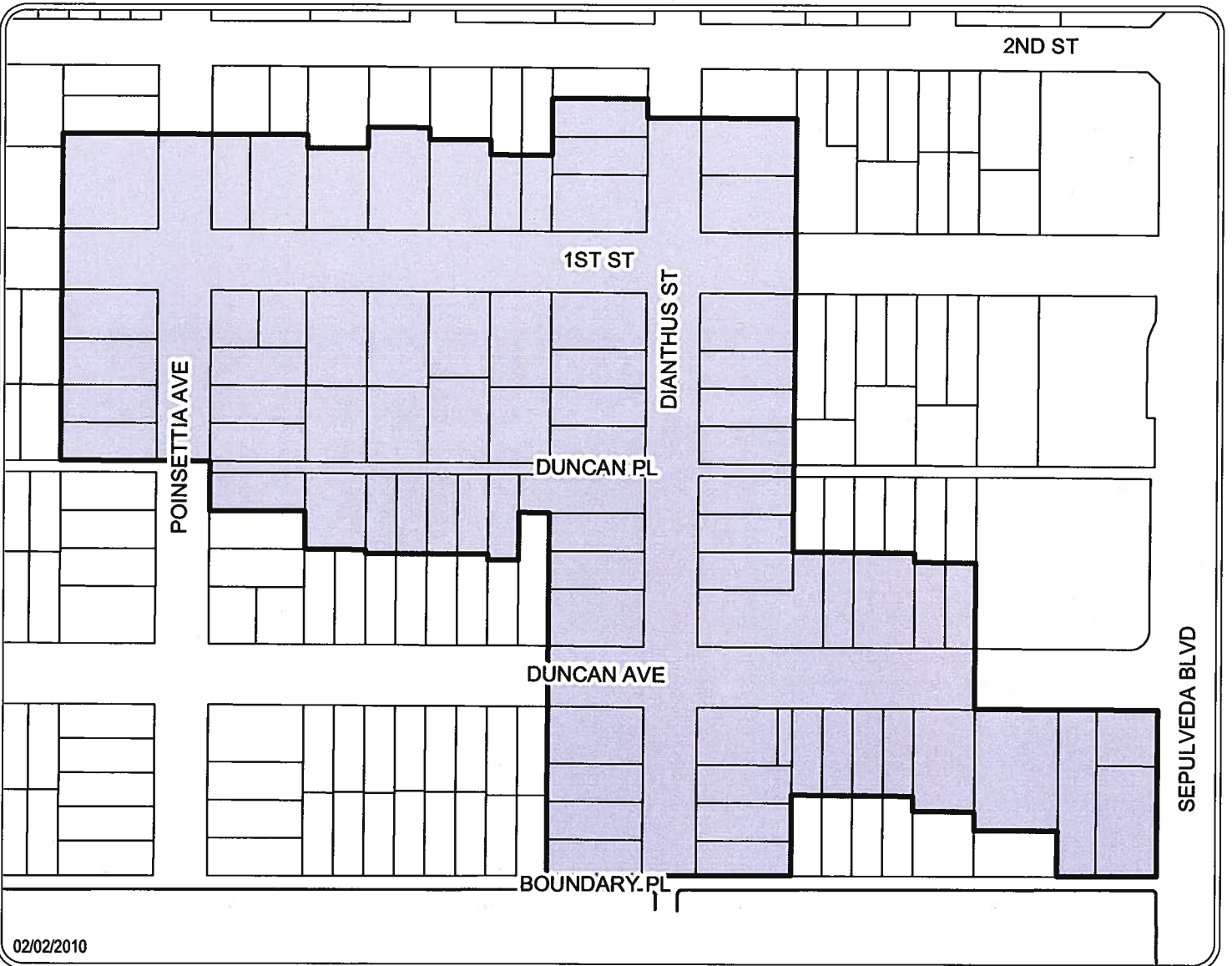
**Underground Utility
Assessment District #14**



ATTACHMENT C

City of Manhattan Beach

**Underground Utility
Assessment District #15**





ATTACHMENT D

City Hall 1400 Highland Avenue Manhattan Beach, CA 90266-4795
Telephone (310) 802-5000 FAX (310) 802-5001 TDD (310) 546-3501

January 15, 2010

«MAILOWNER»
«MAILADDR»
«MAILCSTZ4»

Parcel No.: «APN»
Property Address: «SITUSADDR»

***** NOTICE OF PUBLIC MEETING *****

Underground Utility Assessment Districts 12, 14 & 15

DATE: February 2, 2010

TIME: 6:30 PM

PLACE: City Council Chambers (1400 Highland Ave)

Dear Manhattan Beach Property Owner:

The City Council will be considering the future of the remaining proposed Undergrounding **Districts 12, 14 & 15** during the regularly scheduled meeting on **Tuesday, February 2, 2010**. The agenda item discussion will entail whether or not to continue the undergrounding process OR discontinue the process by dissolution of the Districts.

Your property is included in one of these districts and we encourage you to attend this City Council meeting. Please note that Undergrounding Districts 12, 14 & 15 have NOT been completely established, but only proposed and initiated to date.

Should you need additional information, please feel free to contact Gilbert Gamboa at (310) 802-5356. The general boundaries for each District are as follows:



Fire Department Address: 400 15th Street, Manhattan Beach, CA 90266 FAX (310) 802-5201
Police Department Address: 420 15th Street, Manhattan Beach, CA 90266 FAX (310) 802-5101
Public Works Department Address: 3621 Bell Avenue, Manhattan Beach, CA 90266 FAX (310) 802-5301
City of Manhattan Beach Web Site: <http://www.citymb.info>