



# 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:** June 15, 2010

**SUBJECT:** Appropriation of \$78,174.25 from the General Fund for Verizon and Time Warner Design Plans for Underground Utility Assessment District 15 OR Approval of Re-Surveying the District.

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### RECOMMENDATION:

Staff recommends that the City Council discuss and provide direction on whether to appropriate funds in the amount of \$78,174.25 from the unreserved General Fund for Verizon and Time Warner engineering services associated with Underground Utility Assessment District (UUAD) 15 OR conduct a second validation survey of the District to investigate the current level of support for or against undergrounding before proceeding with the district formation process.

### FISCAL IMPLICATION:

#### Appropriation of Design Funds

The total cost for Verizon and Time Warner engineering services is \$78,174.25, which represents:

- \$51,349.25 for Verizon
- \$26,825.00 for Time Warner

Funds are available from the unreserved General Fund balance. Verizon's design fees are significantly higher than those charged for previous Districts 1-6, but similar in magnitude to the amount approved by City Council for current proposed Districts. Verizon's design services are now contracted out rather than performed in-house.

It is important to note that should the assessment district be approved, then these engineering design fees will be added to the total cost of the assessment to the district and recovered. However, administrative, design and assessment engineering costs related to UUADs that are not ultimately formed would not be reimbursed to the City.

A significant amount of design work for District 15 was previously completed by Southern California Edison during former District 4 design efforts. District 15 is a subset of the former District 4 (see Attachment A) and much of that design has been used in the District 15 design effort. A portion of District 4 engineering design costs would be reimbursed to the City through assessments if District 15 is ultimately formed. Verizon and Time Warner designs, however, must start over anew.

The table below indicates City expenses that would be incurred during the period up to and including the Prop. 218 ballot process. If the design appropriation is approved and the District proceeds to a Proposition 218 vote and fails, these costs would not be recovered by the City.

Reimbursable Expenses	SCE	Verizon	Time Warner	Harris & Assoc.	City	Total
District 15 Design	\$15,000*	\$51,349**	\$26,825**	N/A	N/A	\$93,174
Former UUAD 4 Design	\$20,000*	N/A	N/A	N/A	N/A	\$20,000
Asmt. Engineering	N/A	N/A	N/A	\$29,000	N/A	\$29,000
Admin. Costs (estimate)	N/A	N/A	N/A	N/A	\$255,000	\$255,000
<b>City Reimbursement</b>	<b>\$35,000</b>	<b>\$51,349</b>	<b>\$26,825</b>	<b>\$29,000</b>	<b>\$255,000</b>	<b>\$397,174</b>

\* Previous payments

\*\* Appropriation and payment considered through this Council item.

Re-Survey District 15

The fiscal implications of Re-Surveying the District include staff time and service costs associated with 1) reviewing and updating the District cost estimate and survey, 2) printing & mailing, and 3) presentation of survey results to the City Council for consideration. The total estimated cost of the Re-Survey Outreach is \$16,000 and would be added to the reimbursable administrative costs in the table above. Additionally, if Council decides to re-survey the District, staff will need to re-confirm with Verizon and Time Warner whether they will further extend their design quotes or need to re-price their invoices due to possible cost escalations during the estimated three-month survey effort.

**BACKGROUND**

Since the comprehensive 2006 Survey was completed, a total of five (5) districts remained in the undergrounding process (not yet voted on or formally approved). Two of these five remaining districts were dissolved by City Council on October 6 and December 1, 2009. On February 2, 2010 City Council directed staff to proceed with the design process in Districts 12, 14 & 15 and to return with the additional design appropriation needed for District 15. On April 20, 2010, Council delayed the additional design appropriation for District 15 and directed staff to return to Council at a later date with the additional option of conducting a second validation survey for District 15.

City Undergrounding Policies

In 2006, City Council addressed several policy issues regarding utility undergrounding. The following summary includes those which apply to Proposed District 15.

- November 21, 2005** Former District 4 not approved by City Council (failed district).
- December 6, 2005** City Council approved a motion to allow former District 4 homeowners to reform a new district based on known areas of support and opposition.
- August 1, 2006** City Council reconfirmed Resolution 5420 (adopted by City Council in 1998), which requires that at least “60% showing of support of property owners benefiting from the proposed Assessment District before City funds will be appropriated for the preparation of an Engineer’s Report or other related expenditures as determined by the City Council”. City Council also adopted new procedures, including confirming property owner support for utility undergrounding via a *Validation Survey* immediately following submittal of petition signatures. Petition signatures must be collected and submitted to the City within 6 months of boundaries being proposed to be considered valid. And last, District 15 was to be treated as a new district.
- October 3, 2006** City Council clarified that at least 60% of the *Validation Surveys returned* must also indicate property owner support for utility undergrounding before the City will initiate the district and order design plans. *Validation Surveys* must be returned to the City within 45 days.

The following table summarizes approval thresholds required by current City policy at the various steps in the proposed UUAD formation process:

District	Property Owner Petition	City Validation Survey	Weighted Ballot Vote	Actual “Raw” Ballot Vote
15 (& future)	60%	60%	50%	60%
% of...	Total Parcels	Returned Surveys	Prop. 218 (returned votes)	Prop. 218 (returned votes)

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 notice along with a map of the District boundaries was sent by the City informing all affected homeowners of the petition drive underway (see Attachment B).

In October, 2006 District 15 proponents proposed expanding the boundaries to include 13 additional parcels located on Duncan Avenue between Dianthus Street and Sepulveda Boulevard due to additional homeowner support for undergrounding. The additional parcels also met City policy and utility company guidelines and were subsequently added. A second petition notice was sent by the City noticing all affected homeowners of the expanded boundaries which currently include a total of 74 parcels (see Attachment C).

Streets located in District 15 are generally described as:

- ◆ 1<sup>st</sup> 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 1<sup>st</sup> St to Duncan Pl
- ◆ Dianthus Street – from 1<sup>st</sup> St to Boundary Pl

Property owners within proposed District 15 submitted signed Property Owner 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 (see Attachment D). 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, the City Council initiated District 15 by approving funding for Southern California Edison engineering designs.

The table below summarizes District 15 initiation results:

District 15	Property Owner Petition (October, 2006)	City Validation Survey Results (December, 2006)
74 Parcels <i>(at time of survey)</i>	60.8% 45 Signatures	65 Surveys Returned (87.8% Response Rate)
		43 in favor ( <b>66.2%</b> of those returned)
		22 opposed (33.8% of those returned)

**DISCUSSION:**

District 15 Update

Southern California Edison has completed the preliminary design plans for District 15. These plans will be forwarded to Verizon and Time Warner for their design overlays if funds are appropriated and payment made to the utilities.

The ensuing district formation milestones for District 15 include:

- Completion of Designs by the Utility Companies
- Review of Design Plans by City Staff
- Plan Review Community Meeting
- Bidding and Pricing by Utilities
- Development of Assessment Methodology
- Assessment Methodology Community Meeting
- Development of Preliminary Engineer’s Report
- District Formation Proceedings (Prop. 218 balloting procedures)

District 15 will be following three (3) previous districts in the undergrounding process. Staff anticipates that District 15 will be voted on by property owners following completion of design plans, open market bidding/pricing, assessment methodology and public review. Last, please note that the bidding and voting process has changed following Council subcommittee discussions with

Southern California Edison in 2006/2007. Rather than providing utility company generated construction cost estimates, actual open market bids will be obtained and used to calculate per-parcel assessments prior to the Proposition 218 voting process.

Impact of Re-Surveying the District

Eight (8) parcels in District 15 have changed ownership since the 2006 petition and validation survey. A re-survey of the District would require staff to review the previous District cost estimate and develop a new estimate. Current construction pricing and other known variables would establish the basis for the new estimated cost. This estimated cost would represent the total amount to assessment that could be expected had the District been priced today and would not be intended to be a guarantee of the future District assessment at the time of the Proposition 218 vote. City staff cannot provide individual property assessments at this point in the undergrounding process. Property assessments will be proportioned by the Assessment Engineer once final designs are complete and all costs are known. District voting will commence once the assessment methodology has been approved by Council. The District 15 validation survey was not subject to the same cost estimate discrepancy experienced in previous Districts 8 and 13.

A new validation survey would be sent to all property owners in District 15. City staff proposes the following approach as was used in other districts in the past:

Timeline	Proposed Actions for 2 <sup>nd</sup> Validation Survey Outreach
June 21	Send postcard announcing the upcoming Survey
July 8	Mail Survey (45-day response time per current City policy)
August 4	Resend Survey to non-responders
August 27	Final deadline for Survey returns
September 21	Presentation of Survey results to City Council

The estimated schedule and/or outreach approach suggested above may be altered if needed. Once results are tabulated, staff will present the outcome to City Council and seek direction on how to proceed at that time.

Addition of Parcels

As was the case in previous districts, it may be necessary to add parcels to District 15 due to required riser pole locations at the current district boundary. Preliminary Edison plans indicate the need to place riser poles at locations that may require the inclusion of three to five additional parcels. Final determination of the need to include additional parcels will be determined upon completion of final designs and analysis by the Assessment Engineer. Staff will work with the utility companies and the Assessment Engineer to prevent or minimize the addition of parcels.

**CONCLUSION:**

The City Council is not forming the district at this time. The Council is either approving the next necessary step in the process toward district formation proceedings by authorizing the funds to

commence design plans with Verizon and Time Warner (consistent with City Council direction on February 2, 2010) or is directing staff to re-survey the District. Approval of District formation will ultimately require: 1) approval from property owners by a weighted majority of the returned ballots, and 2) approval from City Council through adoption of the resolutions to form the district.

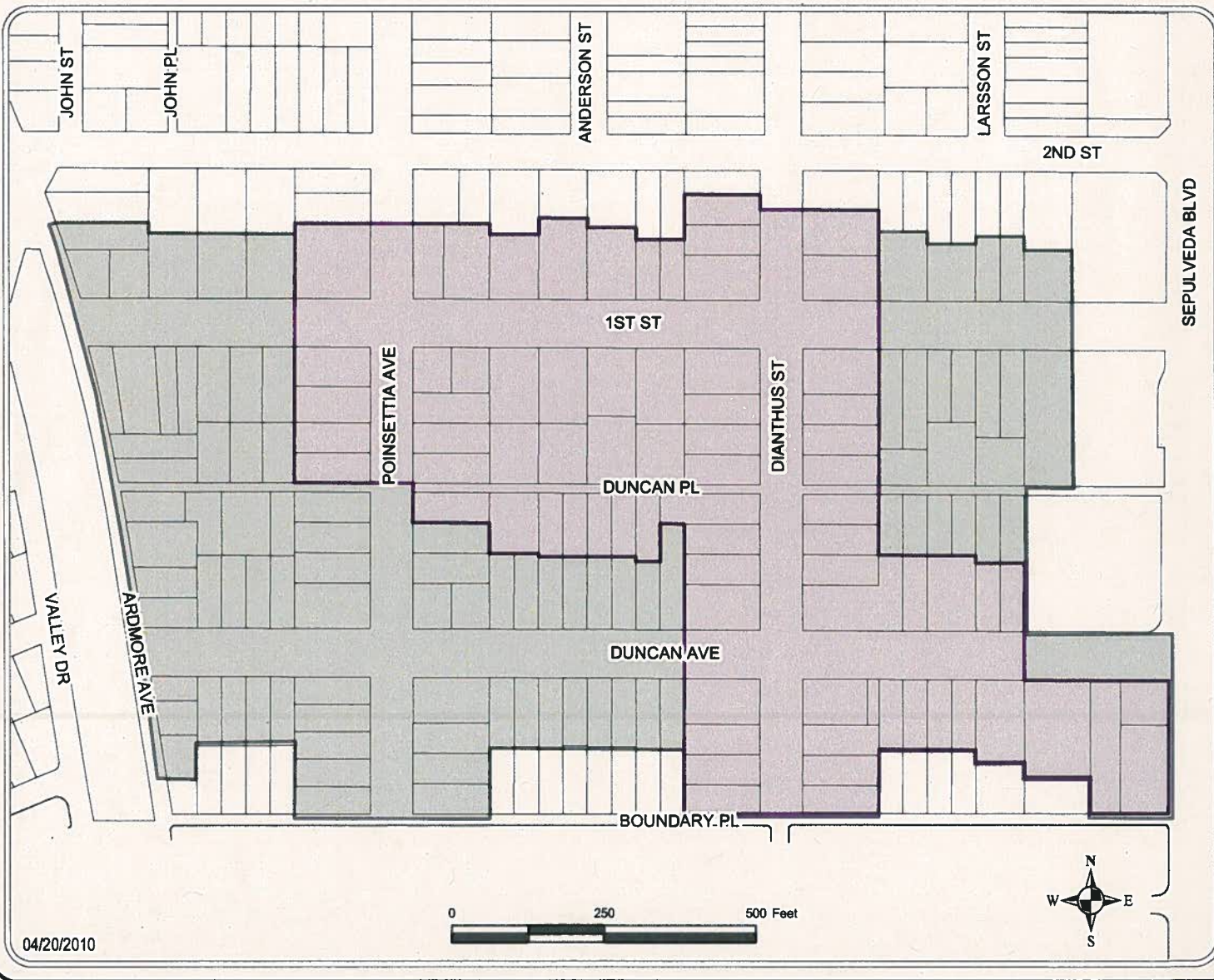
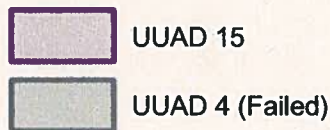
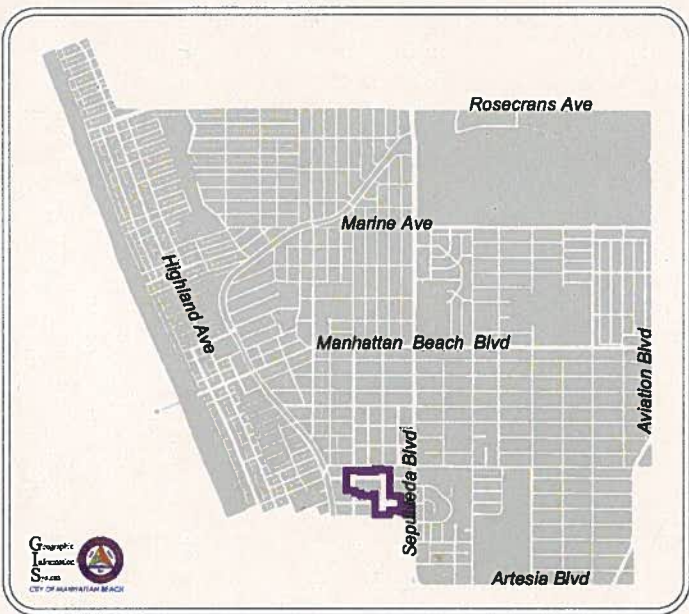
**Attachments:**

- A. Proposed District 15 boundary map (overlay on former District 4)
- B. District 15 Original Petition Notice
- C. District 15 2<sup>nd</sup> Petition Notice of Expanded Boundaries
- D. District 15 Validation Survey

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

# City of Manhattan Beach

## Underground Utility Assessment District #15 (Overlay on Failed District #4)



## ATTACHMENT B



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

June 6, 2006

### Petition Drive Request Utility Underground District 4a

#### **What Signing a Petition for Utility Undergrounding Means**

By signing the petition circulated, you indicate that you are generally in favor of utility undergrounding given the current estimated cost, and would like to know the actual cost before voting for or against undergrounding. Obtaining the required 60% signatures of affected homeowners allows design plans to be developed, actual costs obtained, and a vote for undergrounding to take place.

By not signing the petition, you indicate that you are not in favor of utility undergrounding at the current estimated costs, and have no interest in moving the project forward to actual pricing and a vote.

If the 60% signature threshold is achieved, all affected homeowners will be notified of a proposed schedule for district formation.

Dear Property Owner,

On June 5, 2006, homeowners in your neighborhood proposed the formation of revised utility underground district (4a) to the City of Manhattan Beach, the boundaries of which include your property as identified on the back of this notice. **This letter serves to notify you of the potential residential effort underway to form a revised district in your area.**

In order to become a proposed district recognized by the City, at least 60% of the homeowners within the defined area must sign a petition in support of undergrounding. The petition is then submitted to the City and signatures are verified. If the 60% signature requirement is met, the City will then facilitate the utility undergrounding process, which includes:

1. Initiating/completing utility design plans
2. Retaining an assessment engineer to allocate the total project costs among affected parcels
3. Implementing voting/balloting procedures for individual parcel assessments according to CA Proposition 218
4. Facilitating financing should the proposed district be approved by a majority of affected homeowners
5. Overseeing the undergrounding project through completion (construction, cabling, private property conversions and pole removal)

The estimated range of assessments for undergrounding utilities in your area ranges from \$37,000 – \$67,000 per parcel, depending to parcel size (square footage). Please note that this is only an estimate and is in today's dollars. Actual costs may be higher or lower should the project be initiated and ultimately priced for construction. Smaller parcels would expect to see assessments toward the lower end of the estimated range, and larger parcels toward the upper end.

Additional information about utility undergrounding can be found in the attached Fact Booklet. If you have any questions about this issue, please do not hesitate to contact me at (310) 802-5368 or via email to [skatosuleas@citymb.info](mailto:skatosuleas@citymb.info).

Sincerely,

Stephanie Katsouleas  
Utility Underground Coordinator



# ATTACHMENT C



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

October 16, 2006

## Petition Drive and District Formation Utility Underground District 15

### **What Signing a Petition for Utility Undergrounding Means**

By signing the petition being circulated, you indicate that you are generally in favor of utility undergrounding given the current estimated cost, and would like to know the actual cost before voting for or against undergrounding. Obtaining the required 60% signatures of affected homeowners allows design plans to be developed, actual costs obtained, and a vote on undergrounding to take place.

By not signing the petition, you indicate that you are not in favor of utility undergrounding at the current estimated costs, and have no interest in moving the project forward to actual pricing and a vote.

If the 60% signature threshold is achieved, all affected homeowners will be surveyed to confirm their position on undergrounding. If the district moves forward, you will be notified of a proposed schedule for district formation.

Dear Property Owner,

Recently, the resident organizer for District 15 approached the City of Manhattan Beach about expanding the boundaries of a proposed district (previously called 4a), an area which includes your property as identified on the back of this notice. The expanded boundaries meet the City's undergrounding policies and guidelines for formation and were thus accepted. **This letter serves to notify you of the residential effort (petition drive) underway to expand Utility Underground District 15 to include parcels adjacent to Duncan Ave., between Sepulveda Blvd. and Dianthus St.**

For a proposed district to be recognized by the City, the following criteria must be met:

1. Petitioners must obtain 60% support for undergrounding among homeowners within the proposed area through a petition process. The petition signatures are submitted to the City for verification.
2. Following petition submittal and verification, a confirmation survey is sent by the City to all affected property owners. At least 60% of the surveys returned must also indicate support for undergrounding.

Following those steps, the City will facilitate the utility undergrounding process, which includes:

3. Requesting utility design plans (Edison, Verizon, Time Warner)
4. Obtaining open market bids for the project and retaining an assessment engineer to allocate the total costs among affected parcels
5. Implementing CA Proposition 218 balloting procedures
6. Facilitating financing and overseeing the project should the proposed district be approved by a majority of affected homeowners

**The estimated range of assessments for undergrounding utilities in your area ranges from \$30,000 – \$54,000 per parcel.** Please note that this is only an estimate in today's dollars. Actual costs may be higher or lower should the project be initiated and ultimately priced for construction. Smaller parcels would expect to see assessments toward the lower end of the estimated range, and larger parcels toward the upper end. Additional information about utility undergrounding can be obtained by calling me at (310) 802-5368 or via email to [skatsouleas@citymb.info](mailto:skatsouleas@citymb.info), or by visiting the City's website at [www.citymb.info](http://www.citymb.info).

Sincerely,

Stephanie Katsouleas  
Utility Underground Coordinator

ATTACHMENT D



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

October 27, 2006

**Validation Survey  
Proposed Utility Undergrounding – District 15**

On October 26, petitions submitted to the City of Manhattan Beach were verified showing that at least 60% of the homeowners in Proposed District 15 are generally in favor of undergrounding. However, before City Council will authorize expenditures for modified design plans, support for the proposed district must be confirmed via this Validation Survey.

**Your response to the attached Validation Survey is necessary to confirm the current level of SUPPORT FOR or OPPOSITION TO undergrounding utilities in Proposed District 15.**

If at least 60% of the surveys returned indicate support for undergrounding, the City will initiate the district. This includes completing design plans, obtaining open market bids, preparing an assessment engineer's report and implementing Proposition 218 balloting procedures. At that time, you will have the opportunity to vote for or against undergrounding based on an exact cost to you. If the district is initiated, the City estimates that Prop 218 voting would occur in spring 2008, but actual timing will depend on the utilities' abilities to complete design plans and obtain open market bids. *Please note that actual assessment ranges may be higher or lower, and will depend on the open market bids received at the time the project is priced.*

Only one survey may be completed and submitted for each legal parcel within the District. If you own multiple properties, a separate survey must be submitted for each property location. Surveys must be: 1) filled out and signed by at least one property owner to be considered valid and 2) returned to City Hall at the address above by the deadline specified. If you have questions or would like more information prior to filling out this validation survey, please contact Stephanie Katsouleas at 310-802-5368, or vial email to [skatsouleas@citymb.info](mailto:skatsouleas@citymb.info). For finance-related questions, please contact the Finance Department at 310-802-5550.

**This Validation Survey Must be Signed and Returned By: Friday, December 15, 2006**

**District 15 - VALIDATION SURVEY  
City of Manhattan Beach**

Assessor Parcel Number: «APN»  
Owner Name: «MAILOWNER»  
Situs Address: «SITUSADDR»

**Estimated Range of Assessments  
(in today's dollars): \$30,000.00 - \$54,000.00**

**Estimated Parcel Assessment Average: \$44,500.00**

<input type="checkbox"/>	Yes, I am in favor of undergrounding at the current estimated assessment range.
<input type="checkbox"/>	No, I am opposed to undergrounding at the current estimated assessment range.

Date

Owner Printed Name

Owner Signature