

August 7, 2003

Honorable Mayor and Members of  
the Hermosa Beach City Council

Regular Meeting of  
August 12, 2003

**UNDERGROUND DISTRICT UTILITY DISTRICT IN THE AREA FROM  
AVIATION BLVD, SOUTH TO 6<sup>TH</sup> STREET AND PACIFIC COAST HIGHWAY  
TO THE EASTERN CITY LIMITS OR PROSPECT AVE.**

**Recommendation:**

That the City Council approve an expenditure of funds to develop the preliminary engineering for the above area that have submitted petition containing over 60% of the property owners in the proposed district. The cost estimate for the preliminary engineering for the electric system is \$300,000.

**Background:**

The City Council received the petition from the proposed underground assessment district on May 27, 2003 and directed staff to obtain estimates from SCE as well as the telephone and cable companies. The cost estimate provided by SCE is \$300,000. This, although much more than the city has advanced in the past to a proposed district, is consistent with the cost per property in the other districts and the system that is being undergrounded. The City Council has advanced funds in five situations. The Myrtle and Loma underground districts were advanced funds which have been paid back by the districts once the project was approved by the property owners. Three other proposed districts have also been advanced funds for SCE to complete the engineering work. This engineering by SCE has been completed and one of these districts, Beach Drive from North of 21<sup>st</sup> to North of 24<sup>th</sup> Street, is the final formation stages with the consultant completing the Engineers Report, which sets the final assessment and is the basis for doing the formal notices and ballots. The other two districts are being engineered by the telephone and cable companies and will follow the Beach Drive district into the formal assessment process once this work is finished. I have attached a copy of a map that shows the areas that are in the underground process.

This proposed district is very large and that is the primary reason for the cost estimate provided by SCE. The other districts received the engineering advance from the Capital Improvement Fund. Funding would be available from this source in order to keep this project moving. As you know, if the district is successful then the City is repaid from the proceeds of the assessment district. If the district fails, the City would not be repaid however the engineering work product could be used for a smaller or different district should the property owners continue to work to place the utility poles underground.

The PUC approved a program last year that allows a city to request that funds be advanced from its Rule 20A funds and repaid in a similar manner as the city now uses.

Staff requested that SCE use that approach on this district because of the size and we were informed by SCE that because the city has been advanced over 10 years of Rule 20A funds that we were not eligible to use that approach. According to SCE, Rule 20A funds can no longer be advanced beyond 5 years. Staff has estimated, based on the information from SCE, that the city's Rule 20A account would be even in 2014. This of course could change based on the amount allocated or changes in the PUC regulations. It would seem that this program is not a viable alternative for this proposed district.

Respectfully submitted,

Stephen R. Burrell  
City Manager