

September 23, 2004

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular meeting of
September 28, 2004

**LETTER AGREEMENT WITH SOUTHERN CALIFORNIA EDISON
CONCERNING EXEMPTIONS FOR THE CIAC/ITCC TAX FOR TWO
UNDERGROUND DISTRICTS THAT ARE IN THE ASSESSMENT PROCESS:
BAYVIEW/PALM DRIVES PROJECT AND BONNIE BRAE STREET PROJECT**

Recommendation:

Direct the City Manager to sign the Letters of Agreement with SCE for both proposed underground assessment districts.

Background:

The cost of the improvements provided by SCE and Verizon are discounted in the assessment districts that the City has been involved in because they have not included the costs associated with payment for any federal income taxes that they might be subject to without the city signing the request for exemption due to the public benefit of the project. The letter agreements are in effect an indemnification that would require the city to pay the tax in the event it is determined to be a taxable project. A copy of the letters is attached for each of the projects. The city has signed the same letters in each of the approved assessment districts. This is being done now so that the final cost estimates for these two projects will be at the discounted rates.

Respectfully submitted,

Stephen R. Burrell
City Manager