

City of Palos Verdes Estates



RULE 20B RESIDENTIAL UNDERGROUND UTILITY DISTRICTS

Informational Packet

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Underground Utilities Assessment Districts Guide (Initiated by Property Owners)

An Underground Utility District is an area in which all utility wires (i.e. electrical, telephone, and cable) are required to be removed from the existing poles and placed underground, including facilities on private property. Design and construction costs, except private conversions, are financed by an Assessment District; private conversions are financed by individual property owners.

Most underground utility assessment districts are formed at the request of the local property owners. The multi-step, multi-year process is explained below. The City's role is to facilitate meetings, coordinate tasks, and hire and manage consultants. Unless otherwise stated, or decided by the City Council at a time of district formation, all costs of formation of a district, related studies, undergrounding and removal of poles are the responsibility of the homeowners.

1. The process is initiated by an interested property owner (proponent) who acts as a liaison between the City, utility companies, and neighbors. The City recommends that a neighborhood committee of a least three (3) people be formed to assist with the project. The committee will be responsible for organizing neighborhood meetings, obtaining support, and distributing information about the project.
2. The City will assist in facilitating a community meeting or workshop to explain the process to property owners in the neighborhoods within the proposed district boundaries.
3. Following the community meeting, the proponent and other neighbors (interested parties) in support of undergrounding, submit a letter to the City expressing their interest in forming an underground utility assessment district. The letter must include the proposed boundaries of the area for undergrounding and must be signed by at least owners representing 60% of the properties within the proposed district.
4. Based upon the interest letter, City staff prepares a boundary map and submits it to the appropriate utility companies who review and evaluate the map to ensure the boundaries are logical and feasible. Once the district boundaries are accepted by all parties, the utility companies provide the City with a preliminary cost estimate for the design and construction of the district.
5. Once an estimate of the preliminary cost for the construction is known, the interested parties decide if there is continued support to pursue an assessment district, use a different payment option or agree to abandon the project. Should the interested parties wish to pursue an assessment district, a petition letter of continued commitment signed by 60% of property owners within the proposed district is submitted to the City. Signing the petition is not a vote, it is only an indication of the amount of neighborhood support. Later in this process, all of the affected property owners will be given a more exact estimate and will have the opportunity to officially vote for or against the project.
6. The City retains the services of consultants, including a Financial Advisor, Bond Counsel and Assessment Engineer. The City will need to collect a deposit to pay the utility companies and consultants, unless otherwise decided by the City Council, to move the next step. The deposit shall be raised by proponents of the district from property owners and other parties interested in formation of the district. If the district is successfully formed and the City successfully issues bonds for the district, all deposits will be refunded to the property owners and parties who originally paid the deposits. If for any reason the district is not formed (whether because the district failed to generate the necessary votes for approval, or any other reason), or if the City is for any reason unable to issue the bonds for the district and the undergrounding project is abandoned, any remaining property owner deposits that remain unspent will be refunded on a pro rata basis. The consultants will not be authorized to commence activities until the necessary funds have been collected by the property owners.

7. Bond Counsel prepares a formal petition to be circulated by the proponents to all affected property owners within the proposed district boundaries. The petition states the approximate costs each property owner would be responsible for should the property owners vote in favor of forming the district and proceeding with the utility undergrounding project. The cost is based on the preliminary costs received from the utility companies. In order for the process to continue, at least 60% of the property owners (and not renters) must sign / express interest. This petition is a “show of interest” and does not bind the property owner to the district. (The interested parties are the 60% of the owners; that means that only those pay for the bond counsel, and the other consultants-not the remaining 40%).
8. Concurrently with the Bond Counsel preparing the petition, the Assessment Engineer prepares a report identifying the benefits of the district, identifies the improvements and works with the Financial Advisor to provide an approximate assessment to each owner, based on the specific benefits of the project that each owner will receive. The Bond Counsel’s petition is certified by the retained Assessment Engineer.
9. Once the report is prepared and certified, City staff prepares a report to the City Council for the Council’s review and approval. A hearing is held with all interested parties. Interested parties make a decision whether to proceed with the formal design of the project by the utility companies {e.g. Southern California Edison (“SCE”), Frontier Communications and Cox Cable}, which would generate the final cost for construction.
10. Design process begins once the utility companies receive the engineering and design fee. It usually involves the following steps:
 - a) Base mapping
 - b) SCE electrical design
 - c) Telephone and cable company design
 - d) Cost estimate

Rule 20A funds, are used on a “first come first, served” basis if available, to fund the costs of SCE design and engineering. It is important to note that should the assessment district be approved by City Council, the costs for preparing the plans and specifications will be added to the total cost of the assessment. If the assessment district is not approved, the City’s Rule 20A funds will be reduced by these costs.

The duration of each step varies greatly depending on the number of other underground districts in queue, the size of the proposed district, and complexity of the design. According to SCE, estimated time to complete engineering and designs from all the utility companies is 12-24 months.

11. Once the design is complete and accepted by the City and utility companies, the utility companies provide a “guaranteed cost” or “cost of construction”. The Assessment Engineer will use the guarantee cost and all other costs incurred in the past, or anticipated in the future, to generate a final Engineer’s Report. This report will document the assessment amount each property owner within the district would be responsible for, should the district pass.
12. The completed design plans, Engineer’s Report, and Resolution of Intention are submitted to the City Council for approval and a public hearing is scheduled. An informal property owner information meeting is held prior to the public hearing to explain the details of the proposed district.
13. Ballots are prepared by the bond counsel with the assessment amount and sent to each property owner within the proposed district’s boundaries. Each property owner then votes for or against forming the district.

14. All votes must be submitted to the City by the end of the scheduled public hearing. Each property has one vote. The district passes if the City receives more than 50% YES votes (based on weighted ballots, i.e. determined by size of parcel) from the district property owners by the close of the public hearing session. Weighted ballot means that the vote of a property owner with a \$20,000 assessment counts twice as much as the property owner with a \$10,000 assessment. If the district passes, all property owners within the district will be responsible for the assessment amount regardless of the property owner's personal vote.
15. Based on the number of YES versus NO votes, the City Council at a public meeting will decide whether to proceed with formation of the district.
16. If the district is approved, all property owners within the assessment district will have two options to pay for the assessment.
 - a) 30-Day Cash Payment Period: Thirty (30) days after the close of the public hearing, the property owner has the option to pay the full or a portion of the assessment amount. Bonds will be sold for any unpaid portion of the assessment and a lien will be placed on the property until the bond is paid in full.
 - b) Bond: If the property owner elects to not pay during the 30-Day Cash Payment Period, bonds will be sold. Assessments are placed on the property tax bill to be paid over a 15-20 year financing period. During that time, a lien will be placed on the property until the bond amount is paid in full. Bonds incur a finance charge.
17. All upfront costs incurred by the property owners or City could be folded into the assessment costs. Once the bonds are sold and all moneys are collected, the City forwards the payment to the utility companies to begin construction. The construction duration will vary depending on the size of the district. In general, the construction phase lasts about a year.
18. In areas where no dedicated utility easement exists, each homeowner will be required to deed an easement to the utilities for the underground lines and structures. Legal costs related to the deeding and recording of these easements may be included in the SCE cost for the construction.
19. When construction of the underground infrastructure is completed, all property owners are notified that it is time to implement their private conversions. Private conversions require property owners to hire a licensed electrician to connect the property's existing overhead connection to the underground infrastructure and remove the above ground lines. The cost of the private conversion is not covered in the assessment amount. The assessment amount only covers work performed in the roadway or public easement and removal of poles.
20. It is the property owner's responsibility to perform the conversion within the designated timeframe. Delays caused by one property owner's private conversion, will cause delays to the whole district because overhead structures cannot be removed until all properties have completed their private conversions.
21. After 100% of the properties within the district have connected to the underground system, the utilities will switch the system from overhead to underground and remove the poles and wires from the area.

It is important to note, that according to SCE, from the initial letter to the last private conversion, the average process takes approximately four (4) years, depending on the size of the district.

UNDERGROUNDING OF UTILITY LINES AND FORMATION OF ASSESSMENT DISTRICTS

FREQUENTLY ASKED QUESTIONS:

What equipment will still be visible above ground?

Transformers may be located above ground on concrete pads or will be located in subsurface vaults covered by manhole covers. Each vault requires two, 12-inch diameter by 30-inch high vents. Telephone systems may also require small above terminals to provide maintenance access.

Will property owners get a chance to review proposed locations of the equipment before they are cast in concrete?

The locations of pad mounted equipment and vents will be marked on the ground after the plans have been completed so that the property owners can see the proposed placements. Locations for these structures will be placed in the roadway easement selected by both the City and utility companies in the best interest of the property owners. Location adjustments to these structures are typically not allowed after the designs are finalized. City staff attempts to contact property owners adjacent to the proposed above ground equipment prior to design completion.

Are Underground Easements Required?

In a residential underground utility district all service connections must connect to the new utility mainline. The facilities and equipment for this underground system will be installed on public and private property. Some property owners in the district will be required to grant a private utility easement to one or more utility companies on a portion of their property.

How much does it cost?

Costs vary substantially from district to district depending on the size, physical constraints, specific benefit of each property, how many overhead lines need to be placed underground, how many poles need to be removed, labor and material costs, and inflation. Costs per household are estimated between \$40,000 and \$75,000. Please note that the assessment amount does not include the private conversion portion of the project, conversion of the electrical panel, if necessary or the connection from a house to the street. Estimated cost for this work is at \$5,000-\$15,000 and will depend upon the terrain, type of soil and the distance from the house to the road easement and connection to the main conduit.

Is there money available from other sources to help pay for undergrounding?

Edison offers three options for undergrounding power lines. The first is where a municipality (City) organizes the project and it is paid for with money accumulated from a small surcharge on a utility bill, called Rule 20A. The money from this source must be used on a project with a minimum of 600 linear feet and must be on main thoroughfares.

The second option is where homeowners initiate the undergrounding and form a district. To qualify, the area to be undergrounded must be a minimum of 600 linear feet and all existing overhead communication and electric facilities within the area must be removed and all property owners served by the overhead facilities to be undergrounded agree in writing to have the wiring changes made on their premises necessary to allow service through the underground system. If the project meets these requirements, it may qualify for Rule 20B in which Edison removes all of the utility poles at their own cost and a subsidy from Edison is available in the amount equal to

building an equivalent overhead system, which SCE estimates is generally 20% of the cost of undergrounding. That subsidy is folded into the cost of construction.

The third option for undergrounding is Rule 20C in which the property owner(s) pays the entire cost of the underground project.

What costs are included in the assessment amount?

The assessment amount includes design engineering, construction, legal, administration, and bond insurance costs. Upfront costs incurred by the owners could be folded into the bond as well. However, if an assessment district does not pass, the upfront costs are non-refundable.

What costs are not included in the assessment amount?

The assessment amount does not include the private conversion portion of the project, conversion of your electrical panel, if necessary, or the connection from the house to the street. Estimated cost for this work is at \$5,000 to \$15,000 and will depend upon the terrain, type of soil and the distance from the house to the road easement and connection to the main conduit.

How do property owners pay the assessment?

The assessment can be paid in cash or through bond financing. Once the Assessment District has been approved by the City Council, property owners have a 30-Day Cash Payment Period to pay their assessment. After the 30-Day Cash Payment Period, any unpaid portion of the assessment will be financed through bond sales. If the property owner elects to finance the costs, annual installments of principal, interest, and administrative fees will be collected with the property tax bill.

Can the assessment be paid partially in cash and partially go to bond?

Yes, during the 30-Day Cash Payment Period, the property owner will save the additional costs that would be incurred in a bond issuance on the portion of the assessment paid. After this period, the property owner can at any time make cash payments to pay off the assessment by paying off any outstanding delinquencies, a portion or the remaining principal amount, applicable bond redemption premium, interest to the next available bond call date, and an administrative fee fixed by the City. Any payments made after the 30-Day Cash Payment Period will not receive the savings, because the costs of a bond issuance will be incurred.

Is the assessment tax deductible?

Any tax-related questions must be directed to a tax advisor or accountant.

What is the term of the bond financing?

Usually the bonds are financed over a 15-20 year term. However, some bonds have been financed over a 30-year term.

What is the rate of interest on the bonds?

The bond financing reflects the market rate at the time of issuance. The City does not have the capability to predict such rates.

What if I sell my home before the assessment is paid in full?

This is a matter that can be negotiated between the buyer and seller. The lien is placed on the property and will be transferred to the new owner unless the assessment is paid in full. This information should be disclosed to the buyer.

What is the private conversion and what does it include?

Private conversion involves undergrounding the service wires and equipment that are on private property - that connect from the main service conduit in the roadway easement to the property owner's home or business. This work includes trenching, backfilling and installing conduit, conductors and conversion panels. This work requires applicable building permits be issued for this work.

What is the private conversion portion of the project?

Each property owner must connect his or her overhead utility lines to the underground utility system. It is recommended to obtain bids from licensed contractors to perform this work. This cost is not included in the assessment amount.

What is the typical cost for the private conversion?

It typically costs between \$5,000 and \$15,000 to convert overhead utilities to underground. The cost depends on the terrain of the lot, type of soil and the distance from the electrical panel to the main conduit in the roadway easement. These costs are not included in the assessment.

Can the cost of the private conversion be added to my property tax bill as well?

No. The cost of the private conversion is negotiated between you and your contractor. Each property owner pays for this service separately from the assessment.

Who do property owners contact with questions or concerns regarding the project?

Questions and concerns regarding the project should be directed to the appropriate City staff or representative. Property owners should not contact the utility companies directly with questions.