

Utility Underground District
in the City of Solana Beach

Fact Booklet



Prepared by the
CITY OF
SOLANA BEACH

September 7, 2010



A Message From City Council

Dear Neighbors,

Your City Council has prepared this Utility Undergrounding Fact Booklet as part of our ongoing effort to keep you informed. Our purpose is to make sure that you have accurate and updated information about residential undergrounding proposals in our City.

We recognize that undergrounding utility wires is one of the most challenging issues to face our community in many years. We are committed to remaining neutral and assure you that we will not become advocates for either position. We will, however proactively meet with homeowners to provide and discuss accurate information, while dispelling any rumors and misinformation circulating throughout our community. We also commit to you that we will advocate on your behalf with the utility companies to ensure accurate pricing and increase their accountability and transparency. Our aim is to partner with the utility companies and work together to make undergrounding more affordable and efficient for those who support it, regardless of the size of the districts ultimately formed.

This Fact Booklet brings undergrounding to the forefront so that you can make informed decisions should a district be created in your neighborhood. Each and every homeowner within a district has the opportunity to cast a vote and be heard prior to district formation, while final approval of an underground district rests with the City Council. The Council has already demonstrated that undergrounding will only proceed in those districts where a clear majority of homeowners support it. For those of you throughout the City who are not in proposed undergrounding districts, we provide you with this information as concerned neighbors.

Sincerely,

Mayor Thomas M. Campbell
Deputy Mayor Lesa Heebner
Councilmember Joe Kellejian
Councilmember Dave Roberts
Councilmember Mike Nichols

What is....

Utility Undergrounding?

Utility undergrounding is the process of placing all overhead utilities (electric, telephone, and cable TV wires) and electrical facilities such as transformers underground. Street lights are also replaced with standard concrete composite poles. The new street light arm heights and lengths are constructed to City standards which places the light on an eight foot long mast arm at a height of 27 feet. The poles themselves will typically be narrower and shorter than the wood utility poles removed.



Utility Undergrounding in Solana Beach

How many utility underground districts have been formed in Solana Beach?

Over the past several years, there have been three underground utility districts in the City. Construction on all three of these districts is complete. The following are the locations:

- Barbara/Granados (122 homes)
On Barbara and Granados Ave., north of Cliff Street.
- Pacific/Circle (52 homes)
Includes all of the east and west Circle Drive plus the northern half of Pacific Drive between Solana Vista Drive and Ocean Street.
- Marsolan Ave. (39 homes)
All of Marsolan Ave. between south Cedros Ave and Cofair Ave.

Is undergrounding safe?

YES. In fact, undergrounding may be safer than overhead wires. In the event of an earthquake, the likelihood of someone being hurt from utility poles and wires is eliminated. The risk of utility wires coming into contact with water or other substances is also eliminated because the wires are placed in underground conduit. Additional benefits include improved electrical service and a reduction in fire hazards.

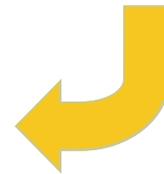
Will my electricity be out during construction?

NO. During construction there will be some disruption because the streets in the area will be dug up. However your electricity, cable TV, and telephone services should not be affected. You will experience a brief power outage when your house is converted to the new underground system but you will be notified prior to the cut over and the outage should not last longer than 8 hours.

How do new technologies like fiber optics fit into utility undergrounding?

New technologies such as fiber optics can exist both on overhead poles or underground. Currently when undergrounding projects take place, there is additional room to include fiber optic cables.

Here Are Some... Frequently Asked Questions



If You Have... More Questions After Reading This Brochure

Call the City of Solana Beach Engineering Department at (858) 720-2470. You will be put in contact with someone who can help with your questions.



Forming A Proposed District

Utility underground districts are initially proposed by one or more homeowners in a particular area who favor undergrounding. Simply speaking, it is a homeowner driven process rather than a City-wide directive. For a district to be initiated, a homeowner must follow Steps 1-7 outlined in the City's packet Steps For Forming A District. In summary, these steps include:

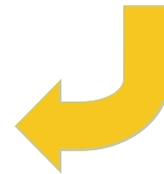
- Canvassing the neighborhood to gauge support for undergrounding.
- Proposing district boundaries to the City. Ideally, a proposed district should include no more than 300 homes but must be at least one block long (or 600 linear feet). Additionally, the boundaries proposed must be compatible with the utilities' networks (to be determined when boundaries are proposed).
- Obtaining and submitting petition signatures from at least 70% of homeowners within the defined area.
- Achieving a 70% Survey Validation rate based on the number of surveys returned to the City.

Once the district is recognized by the City, design plans will be requested from all participating utilities (SDG&E, AT&T, Cox Cable and Time Warner). These design plans will become the basis for pricing a project, which in turn allows homeowners to vote for or against undergrounding knowing the exact cost of undergrounding utilities in the public right-of-way. This cost DOES NOT include the additional private property expenses a homeowner may incur. See "What's Included in the Cost to Underground Utilities" on page 6 for a full description of the costs associated with undergrounding.

What if I want to opt-out of the district?

Opting out of a district may only occur during the district petition phase, when district proponents try to achieve the required 70% homeowner showing of support. It may or may not be possible for some homes to be excluded from a proposed district (i.e., opt out), and depends on: 1) where the home is located relative to the district's proposed boundaries, and 2) the level of support for or against undergrounding of nearby homeowners. A district's boundaries may morph during the petition drive to include those homeowners most favoring undergrounding and exclude those most opposed, provided the boundaries are compatible with both the utilities' networks and the City's district boundary guidelines.

How Is A... Utility Underground District Initially Formed?



How Do I... Get an Underground Program Started in My Neighborhood?

You must first contact the City to obtain the "Steps for Forming A District" packet, or download the information from the City's website at www.cityofsolanabeach.org. The packet outlines the steps that must be taken to start a project in your neighborhood.

After receiving the packet, take some time to review all of its contents. You should then contact the City's Neighborhood Utility Undergrounding Coordinator by calling (858) 720-2470. From there, we'll discuss your project and what will be required from you and your neighbors to form a proposed district.



Approving A Proposed District

Once a proposed district has been initiated and design plans finalized, the project will be priced for construction and the following steps will occur:

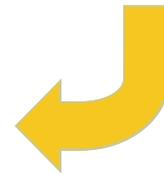
1. Each property owner in a proposed district will receive a ballot in the mail identifying his/her share of the project cost and will have a minimum of 45 days to consider support for or opposition to the proposed assessment. Under California State law, you CANNOT be assessed until you are informed of what the exact assessment will be and provided the opportunity to cast your vote either for or against that assessment. Please note that the assessments presented on the ballot do not include the additional private property expenses that may be incurred to complete the undergrounding project. See "What's included in the Cost to Underground Utilities" on page 6 for more information.
2. Each ballot must be returned to the City by a specified deadline; those returned are counted during a City Council public hearing.
3. Under Council Policy, the project area or utility underground assessment district is formed only if: a) it is approved by a 60% majority of the affected property owners based on the ballots cast AND the weighted returns are also greater than 50%, and b) a resolution is passed by a majority vote of City Council following the combined procedures of CA Proposition 218 and the Municipal Improvement Act of 1913.

Once approved, the assessments presented cannot be increased without implementing new balloting and voting procedures.

What Does "Weighted Return" Mean?

CA Proposition 218 mandates that the value of each vote be weighted according to the proposed underground assessment presented to each parcel. This means that parcels with higher proposed underground assessments will have a stronger vote. For example, a vote given to a parcel receiving a \$20,000 proposed assessment would count for twice as much as a vote given to a parcel receiving a proposed \$10,000 assessment. A proposed utility underground assessment is not the same as and is not based on the Assessed Tax Value of your home.

How Is A... Proposed District Approved by Voters and City Council?



How Long...

Does It Take An Undergrounding Project to Finish?

Based on the size of the project, it will typically take 3-5 years to complete once funds are authorized by the City to initiate design plans. While this may seem like a long time, several steps must be accomplished. These include:

- Creation of Utility Design Plans (up to 2 years)
- Review, Pricing and Voting Procedures (6-9 months)
- Construction (6-9 months, typically)
- Cabling and Residential Connections (9-12 months)
- Pole Removal (3 months)



What's Included in the Cost to Underground Utilities?

In residential neighborhoods, undergrounding utilities is paid for by property owners. The cost includes: 1) the proposed assessment for undergrounding utilities in the PUBLIC RIGHT-of-WAY, and 2) PRIVATE PROPERTY EXPENSES associated with installing underground service connections from the property line to the house. The proposed assessment represents a collection of variables such as design, assessment engineering and financing fees, construction labor and materials costs, staff time, and the assessment methodology used to allocate project cost among all parcels in the proposed district (see sidebar, "What is An Assessment Methodology and How is it Derived?") Private property expenses are further described below. Additionally, because the utility companies own and maintain the wires placed underground, both in the street and on your property, maintenance of these wires is paid for by them. However, if the conduit installed on your property fails, you will be responsible for the cost of repairing it. Please note that wires located underground may take longer to repair than overhead wires.

1. Public Right-of-Way Expenses (The Proposed Assessment)

Individual assessment amounts depend on the variables listed above as well as several other factors, including the district's housing density, the total trenching distance needed to underground utilities in the public right-of-way, and the difficulty of construction (e.g., digging in sand or through narrow streets). Please note that the ULTIMATE COST of undergrounding will depend on the financing option chosen by each homeowner once assessments are levied. For example, homeowners who elect to pay their assessment in full can expect to pay 9-12% less than the assessment presented due to the elimination of bond fees and capitalized interest. Conversely, homeowners who elect to "mortgage" their assessment will pay an annual installment PLUS interest for 20 years (much like a simple interest loan). Currently (2006/07), that interest rate is about 5%. The actual interest rate applied will depend on market conditions at the time the bonds are sold.

Until a thorough design is completed and the project priced for construction, an accurate estimate cannot be obtained. However, the range of assessments presented to homeowners of previously approved districts may help you estimate what your future assessment might be. See "Past Assessments and Future Estimates" on page 10.

What Is...

An Assessment Methodology and How is it Derived?

California State Proposition 218 requires that an Assessment Methodology be conducted by a professional Assessment Engineer when allocating the cost of a project among parcels within a defined area. It is based on a particular formula that first evaluates the direct benefit(s) that each parcel will receive as a result of the project, and then allocates a proportionate share of the total project cost to each parcel based on those benefit(s).

In developing an Assessment Methodology (i.e., a formula), the benefits considered by the Assessment Engineer must be appropriate for both the district and the proposed project, as well as be legally defensible and supported by City Council. In the City of Solana Beach, the Utility Undergrounding Assessment Methodology considers Safety and Enhanced Reliability, Improved Aesthetics and pole removal in deriving an assessment for each parcel in the district. Please note that:

- The value of your home and property cannot be used in deriving individual assessments, nor is an assessment formula based on your property tax amount.



2. Private Property Expenses (Not Part of the Proposed Assessment)

Each homeowner may or may not incur additional private property expenses in addition to proposed assessment described previously. It depends on when the house was built, the location of the utility wires serving the house, and whether underground conduit already exists on the property. See sidebar “Will I Incur Additional Out-of-Pocket Private Property Expenses if.”

If installation of conduit is needed for the service conversion, homeowners will need to hire a licensed electrical contractor to perform the work. Expenses incurred to make a home ready for underground service typically range from \$3,000-\$5,000, OR MORE depending on parcel and house characteristics.

The ACTUAL COST will depend on property characteristics such as the trenching distance needed from the street property line to the house connection point, the type and quality of the surface material(s) that must be disrupted (e.g., cutting concrete, removing brick or flagstone, digging in dirt) and whether the electrical panel box must be upgraded. Since every house is unique, the City is not able to accurately estimate what this additional cost will be for individual homes. Please note that if your electrical service panel and phone box are located on opposite sides of your house, you may need two trenches, thereby effectively increasing your out-of-pocket expenses.

The City encourages homeowners to consider additional private property expenses and to obtain quotes for such work prior to making any decision about undergrounding. Please note that private property expenses cannot be financed in conjunction with the proposed assessment.

Will I Incur... Additional Out-of-Pocket, Private Property Expenses if...

1. My utility wires are already located underground to the nearest telephone pole and there are no overhead wires to my house?

1. Typically, No. Your home will be connected to the new underground system and your wires “picked up” by the utilities when cabling begins. However, if your underground connection is to be a back yard pole with no street access, you will need to provide conduit to the new street point if it was not already installed by your home’ builder.

2. My house has overhead wires, but was built or significantly remodeled (+50%) after 1977?

Yes. \$500—\$1,000 (typically) Expenses should be minimal as the City required that conduit be installed when your house was built or remodeled unless an exemption was granted. Exemptions may have been granted to homes with utility poles located in the back yard between two property lines where there is no street access. If you do have conduit, you will incur the cost associated with connecting the new underground wires to your house connection points.

3. My house has overhead wires and was built prior to 1977?

Yes, if conduit was never installed. The cost depends on several factors as described under Private Property Expenses (to the left).



Financing A Utility Undergrounding Project

The sidebar, “What Are My Options for Paying the Assessment” explains the three payment options currently available. If financing a utility underground assessment over 20 years (Option 2), the total cost of the project will include the base value of the assessment (the principal) plus simple interest paid during that time. The following table provides examples of the total cost homeowners will have paid either in full within 30 days or over 20 years using three different simple interest rates.

If the Proposed Assessment Is...	Then the Actual Assessment if Paid In Full Within 30 Days is Estimated to be...+	Or the Estimated Total Amount Paid Over 20 Years if Financed at the Following Simple Interest Rates is...*		
		5%	6%	7%
\$10,000	\$8,800	\$15,840	\$17,195	\$18,607
\$20,000	\$17,600	\$31,680	\$34,387	\$37,215
\$30,000	\$26,400	\$47,516	\$51,582	\$55,820
\$40,000	\$35,200	\$63,356	\$68,777	\$74,428
\$50,000	\$44,000	\$79,194	\$85,970	\$93,035

+ This is only an estimate of the cash value. The actual cash value will be based on the fees and projected capitalized interest subtracted at the time the district is approved.

* The yearly assessment payment due can be determined by dividing the total by 20.

What Are My...

Options For Paying An Assessment?

When a proposed district is approved by voters and City Council, three options become available to homeowners to pay the assessment. These include:

1. Pay the full amount within 30 days of receiving a “Notice to Pay Assessment” from the City. You can expect to pay about 9-12% less than the assessment presented due to the elimination of financing fees.
2. Pay Yearly. You can spread all of a portion of the assessment PLUS INTEREST over 20 years as a lien on your property tax bill. The interest rate is determined when bonds are sold to finance the total project and will be current market rate at that time.



Past Assessment and Future Estimates

In the City of Solana Beach, three assessment districts have been approved by homeowners and constructed. The public right-of-way assessment ranges are provided in the two tables below. Each district's assessment range reflects the unique dynamics of the area, i.e., timing in moving forward, housing density, size of the district, etc.

It is worth noting that neighborhoods with higher housing densities will be, on average, less expensive per parcel to construct due to the greater number of homes sharing the total cost of construction.

Assessment Ranges for Approved Districts

The ranges provided below do not include the private property connection expenses discussed under "What's Included in the Cost to Underground Utilities?" on page 7.

District No.	Formation Date	No. of Parcels	Per-Parcel Assessment Range	Approximate District Cost
Barbara/Granados	March 2006	122	\$13,300-\$21,400	\$2,100,000
Pacific/Circle	March 2006	52	\$15,400-\$22,600	\$975,000
Marsolan	May 2008	39	\$15,200-\$22,800	\$820,000

Why Can't the City Pay...

For A Part of A Residential Undergrounding Project?

The City of Solana Beach is receptive to homeowners desire to pursue neighborhood undergrounding projects, and the City Council has set aside seed money to initiate those that qualify. However, there are many competing infrastructure needs that must be met, such as repaving roads, repairing public buildings, sewer lines and water lines, and maintaining our parks. If your neighborhood qualifies, the City Council will fund the initial engineering studies to determine the cost of the project. The seed money provided by the City will be added to the total cost of the project and recovered if approved by property owners.



Why Can't the Utilities Pay...

For A Part Of A Residential Undergrounding Project?

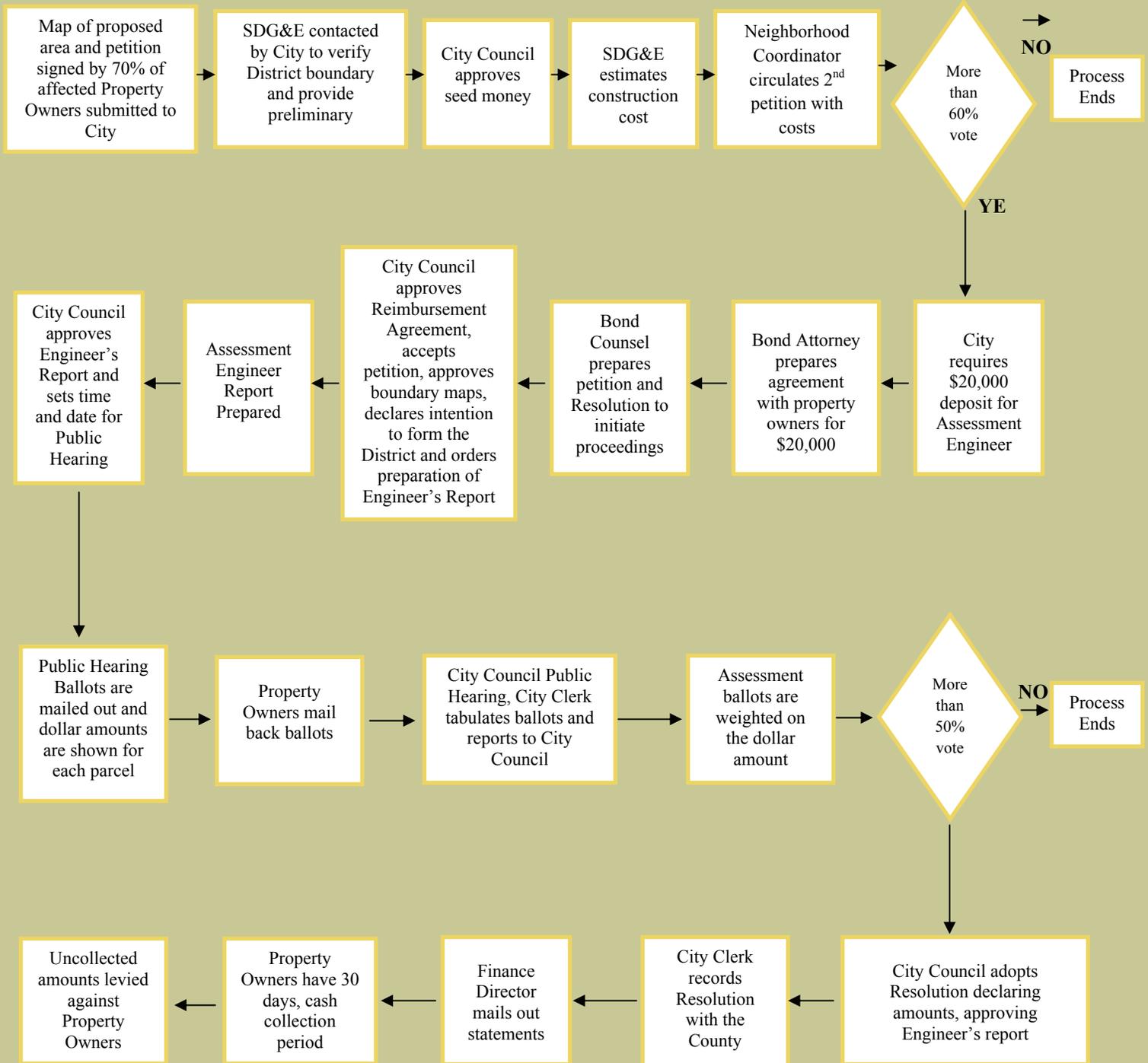
They Own The Wires, Right?

There is no legal requirement for utility companies to underground their existing overhead facilities. However, SDG&E is mandated by the California Public Utilities Commission (CPUC) to set aside funds to pay for undergrounding projects in high traffic or public use areas such as **Cedros, Lomas Santa Fe** and other locations throughout the City.

However, SDG&E does bear some costs associated with undergrounding, such as pole/wire removal and continued maintenance of the new system. SDG&E also credits each district the value of an equivalent overhead system if a new underground system is constructed. This credit results in a reduction of the total costs presented to homeowners.

This Booklet Produced by:
City of Solana Beach
635 S. Highway 101
Solana Beach, CA 92075

UTILITY UNDERGROUNDING POLICY FLOW CHART FOR MUNICIPALITY-INITIATED RULE 20B ASSESSMENT DISTRICTS



UTILITY UNDERGROUNDING POLICY FLOW CHART FOR MUNICIPALITY-INITIATED RULE 20B ASSESSMENT DISTRICTS

ISSUANCE OF BONDS TO COMPLETION OF CONSTRUCTION

