

AGENDA BILL

22

No.

Meeting Date: 12/5/17

SUBJECT: COMMUNITY SURVEY AND BALLOT MEASURE ADVISORY SERVICES

SUMMARY OF THE MATTER:

Undergrounding existing overhead utility lines to improve public safety and the reliability of electric service is one of the highest priority for the City Council. On October 24, 2017, the City Council directed staff to continue to investigate other funding opportunities for undergrounding the remaining overhead utilities such as the creation of a community facilities district (CFD) and a general obligation bond or revenue bond in working with the City Council Subcommittee of Councilmembers Whalen and Zur Schmiede and provide recommendations to the City Council in the near future.

This report provides a summary of efforts since then and provides recommendations on preliminary steps needed to determine the level of community support for the creation of a General Obligation Bond and a CFD for undergrounding of utilities which will require a public votes anticipated to occur in November 2018. Based on preliminary analysis, a General Obligation Bond would be paid for by property owners throughout the City to fund undergrounding along the City’s major evacuation routes and the CFD would be utilized to fund undergrounding in the neighborhoods that are still served with overhead utilities and would be paid for entirely by those neighborhoods.

With the goal of presenting one or more ballot measures for the November 2018 election, a team of consultants consisting of a Ballot Measure Advisor/Community Outreach Specialist, Special Tax Consultant, Bond Counsel, Financial Advisor, and an Underwriter are needed. Therefore, staff recommends that the City Council approve the award of consulting agreements with TBWB Strategies (TBWB) and their subcontractor Fairbank, Maslin, Maullin, Metz & Associates (FM3) in the amount of \$123,700 for development and performing community outreach and surveys and preparation of the ballot measure; and with David Taussig & Associates in the amount of \$97,500 for the preparation of special tax methodologies for raising funds through a CFD. An Additional \$20,800 might be needed for unforeseen expenses that may arise during the process. The remainder of the project team of a Bond Counsel, a Financial Advisor, and an Underwriter will be presented to the City Council in the near future. Funding for these contracts is not included in the City’s budget. Therefore, staff recommends that \$242,000 from the \$3.2 million balance of the Street Lighting Fund that is reserved for utility undergrounding be appropriated for these efforts.

RECOMMENDATION: It is recommended that the City Council approve the list of recommendations outlined on page 4 of this report for furthering the development of utility undergrounding funding strategies.

Appropriations Requested: \$ 242,000

Fund: Street Lighting

Attachments: _____

Submitted By: Shohreh Dupuis
 Shohreh Dupuis, Assistant City Manager /
 Director of Public Works

Coordinated With: Wade Brown
 Wade Brown, Undergrounding Program
 Manager

Coordinated With: Gavin Curran
 Gavin Curran, Director of Administrative
 Services

Approved: John Pietig
 John Pietig, City Manager

DISCUSSION:

The City retained the services of Harris & Associates to prepare a preliminary study for forming a CFD that outlines the needed tasks and processes, provides a timeline to establish a CFD, and sample tax methodologies models that would generate the needed level of funding needed for undergrounding of utilities along the City's major evacuation routes and in the neighborhoods that are still served with overhead utilities. The preliminary study outlines a number of activities that will need to occur, should the City decide to develop a comprehensive approach and implementation plan to utilize a General Bond Obligation and a CFD to underground utilities. The recommendations are:

1. The City will need to assemble a team that includes both internal and external participants, including various types of consultants not limited to ballot measure advisor/public relations specialist, special tax consultant, bond counsel, financial advisor, and an underwriter.
2. Develop the project planning and administrative activities once the City's team is established, including an implementation action plan.
3. Create a community outreach and education plan including a community survey, and the development of educational materials.
4. Determine the public process to establish the General Bond Obligation and CFD after the initial community outreach efforts have been performed.

Since undergrounding of utilities is one of the City's highest priorities, staff, in consultation with the Undergrounding Working Group, is recommending that the City Council approve the process and contracts needed to assess community support for a General Bond Obligation for undergrounding of utilities along evacuation routes and a CFD for the remaining neighborhoods in the City that are still served with overhead utilities with the goal of November 2018 ballot measures. To meet the extremely tight schedule for the preparation of the ballot measures, staff has begun to assemble a City team that includes:

1. Ballot Measure Advisor/Community Outreach Specialist - These consultants will assist the City engage with the community regarding the funding needs to underground utilities.
 - a. Community Outreach Specialist – This consultant will conduct a community survey to assess voter's attitudes on funding utility undergrounding.
 - b. Ballot Measure Advisor – This consultant will assist the City in crafting one or more ballot measures and assist the City with education and informational materials.
2. Special Tax Consultant - This firm will develop cost estimates and perform an initial analysis on the many variables and considerations that should be incorporated into developing a rationale for spreading costs and forming the CFD as required by law.
3. Bond Counsel - This firm will be the designated legal counsel for the project and will provide legal advice relating to the formation of the CFD and a General Obligation Bond election.
4. Financial Advisor - This firm will provide expertise on the overall financing plan and will act as the City's representative when developing and structuring the debt during the bond issuance process.
5. Underwriter - One or more firms will be selected to manage the process of the bond sale, if bonds or a similar debt instrument is used.

INITIAL STEPS – AWARD OF CONTRACTS:

Starting community outreach early can help the City determine the level of support that exists with the community. Developing and conducting a community survey will assist staff develop strategic recommendations regarding the next steps. Consultant recommendations for the development of a community survey and ballot measure advisory services are outlined below:

Ballot Measure Advisor/Community Outreach Specialist – Typically, a public opinion research and a non-partisan strategy and communications consulting firm specializing in public opinion surveys and public finance ballot measures would be selected through a Request for Proposal (RFP) process; however, given the time constraints of preparing one or more measures for the ballot for November 2018, should the City Council decide to pursue such a course of action, staff recommends selecting a firm now. Staff requested a proposal from TBWB and their subcontractor FM3, a public opinion research firm. These consultants are uniquely qualified to lead the City of Laguna Beach through a process to achieve a successful revenue measure. In 2016, FM3 conducted the community opinion survey which helped frame the City of Laguna Beach’s plan for the November 2016 election. TBWB assisted in the survey, and then went on to help craft Measure LL, a transient occupancy tax increase. During the same election cycle, TBWB also assisted the City with education and informational materials regarding the citizen initiative, Measure KK.

The team of TBWB and FM3 would approach the survey for this project in a similar fashion as the work they performed for the 2016 Community Survey and ballot measures. FM3’s work efforts will include the development of conceptual survey topics for City Council Subcommittee approval, development and conducting a baseline survey to gauge public opinion on the topics, and conducting a shorter tracking survey near the time that the City Council would need to vote to put any measures on the ballot. TBWB will conduct a feasibility study, develop a public information and outreach program, work with the City team to develop specific details of the ballot measures for a General Obligation Bond and a CFD, and qualify the measure for being placed on the ballot. It is recommended that the City Council award a consulting agreement to TBWB and FM3 in the amount of \$123,700.

Special Tax Consultant – The special tax consultant firm will prepare a range of information for a CFD including: the assessor’s data for the applicable registered voters, the special tax rates required for the project, the special tax rate formula, the boundary maps for the included parcels, and numerous other related tasks. This information is needed as early in the process as possible (over the next couple of months) to inform the community outreach and education efforts. Therefore, staff requested informal proposals in lieu of formal RFP process from the following four firms that specialize in the formation of special financing districts: David Taussig & Associates, Willdan Financial Services, Harris and Associates, and Special District Financing. The following two proposals were received on November 27, 2017:

Consulting Firm	Pre-election	Post-election	Proposal Amount
1. David Taussig & Associates	\$ 67,500	\$ 30,000	\$ 97,500
2. Willdan Financial Services	\$ 60,350	\$ 31,950	\$ 92,300

After reviewing both proposals, staff recommends that David Taussig & Associates be awarded the contract. Their firm is the most qualified consultant by having formed over 1,500 public finance districts including over 1,000 community facilities districts in California. Their staff of 50 employees are directly involved in public finance with diverse backgrounds and expertise which will be an asset due to the fact that the formation of voter approved community facilities, as Laguna Beach is investigating, are relatively rare occurrences. David Taussig & Associates has formed several registered voter approved CFD's including for the Los Angeles Street Car project and for the Cities of Anaheim and Newport Beach. It is recommended that the City Council award a consulting agreement to David Taussig & Associates in the amount of \$97,500.

To continue the process to develop a comprehensive approach to utilize a CFD to underground utilities, staff will add to the City team a Bond Counsel, Financial Advisor, and one or more Underwriters at a later date.

RECOMMENDATIONS:

It is recommended that the City Council:

1. Direct the City Manager to pursue the development of a General Obligation Bond ballot measure for undergrounding of the City's major evacuation routes and a CFD ballot measure to underground the neighborhoods that are still served with overhead utilities, conduct a community survey related to the potential ballot measures, and appropriate \$242,000 from the Street Lighting Fund for these efforts;
2. Award a consulting agreement with TBWB Strategies and FM3 in an amount not to exceed \$123,700 to develop and implement community surveys and one or more ballot measures for undergrounding as outlined in the proposals, and to report its results at a future meeting of the City Council;
3. Award a consulting agreement with David Taussig & Associates in an amount not to exceed \$97,500 to provide special tax consulting services as outlined in the proposal;
4. Authorize the City Manager to approve project-related expenses for unforeseen circumstances for a total amount not to exceed \$20,800; and
5. Reaffirm the City Council's Subcommittee appointment of Councilmembers Bob Whalen and Rob Zur Schmiede as the subcommittee to continue to work with city staff and the City team of consultants on the development and implementation of the community surveys, ballot measures, special tax methodologies, and other undergrounding funding strategies; and provide recommendations to the City Council in the near future.