

Utility Undergrounding

CITY COUNCIL MEETING, FEBRUARY 6, 2018

A solid orange horizontal bar spanning the width of the slide, located at the bottom.

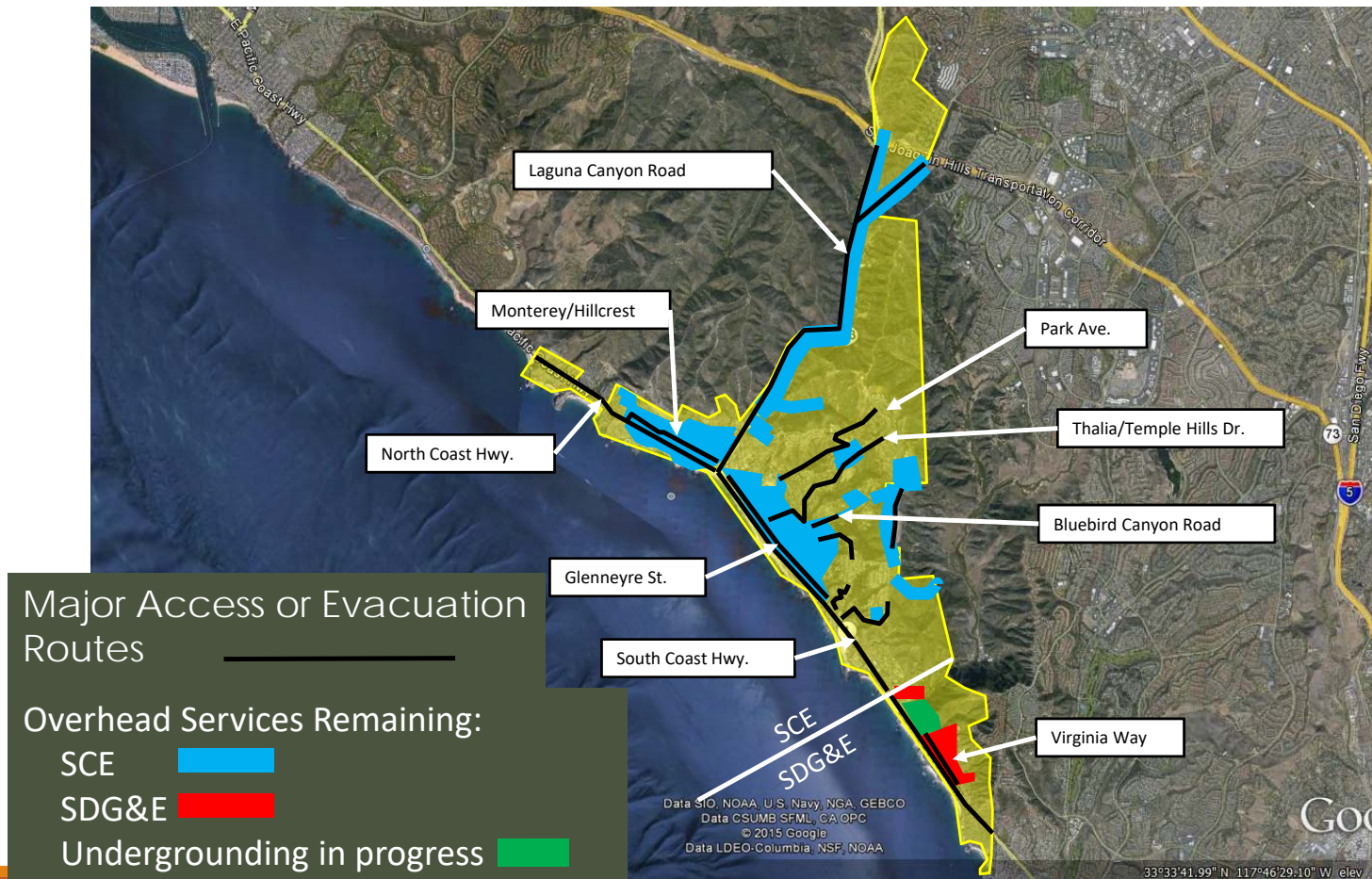


City's Efforts to Date

- Meetings with SCE and SDG&E presidents
- SB 1463 Moorlach Sponsored to enhance fire mitigation measures
- Fire Mapping Process
- Meeting with CPUC commissioners and staff on multiple occasions
- Undergrounding Ordinance
- Laguna Canyon Road Master Plan
- Rule 20 A Purchases
- Evacuation Routes Study and Prioritization
- CPUC Rule Making – Rule 20 Review
- Community Choice Aggregation for Electrical Power Purchase
- Street Light Acquisition
- Assessment Districts
- Development of local funding strategies



Overhead Utilities and Preliminary Evacuation Routes Considered for Community Survey



- These routes were identified as key evacuation routes by Public Safety departments and consultant team
- Other routes can be added upon further review and analysis

Laguna Beach Utility Undergrounding Issues Survey

*Survey Conducted:
January 4-11, 2018*



FAIRBANK, MASLIN,
MAULLIN, METZ
& ASSOCIATES

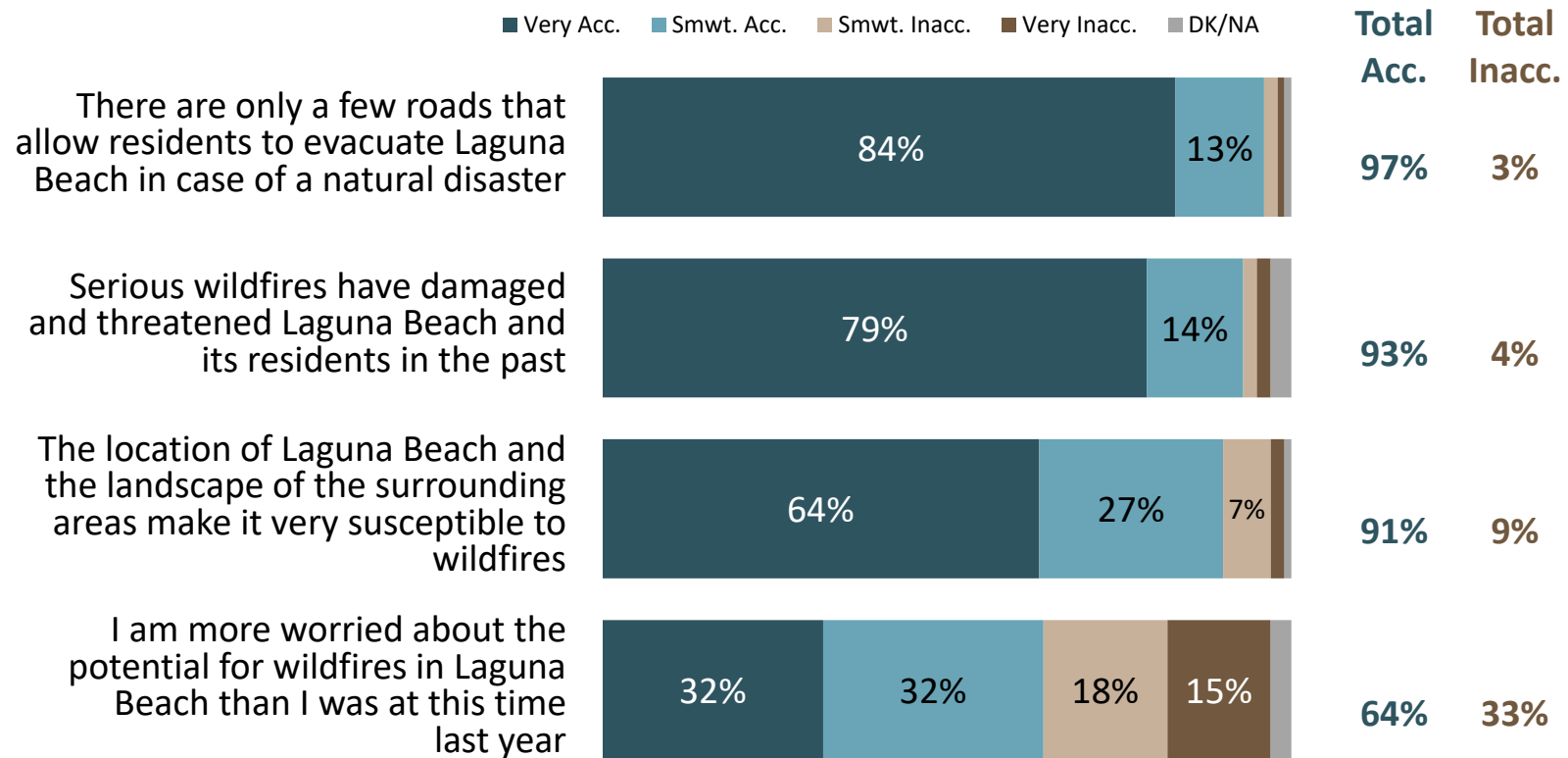
Methodology

- ✓ Survey conducted January 4th to 11th, 2018
- ✓ Random sample of 685 Laguna Beach residents likely to vote in the November 2018 gubernatorial election
- ✓ Interviews conducted online and via phone (landlines and cell phones)
- ✓ Overall Margin of Error: +/-5.1%
- ✓ Some questions tracked to Laguna Beach survey conducted June 2nd to 12th, 2016
- ✓ Additional interviews with 253 residents likely to vote only in presidential elections not included in this report



Attitudes on Ballot Measures to Finance Utility Undergrounding

Residents are very clearly aware of the threat to Laguna Beach from wildfires.



The survey tested four options for generating new revenue for utility undergrounding.

Utility Undergrounding on Laguna Canyon Road and Evacuation Routes:

- 1) 1-cent dedicated sales tax (2/3 threshold)
- 2) \$115 million bond (2/3 threshold)
- 3) 1-cent general purpose sales tax (50% threshold)

Neighborhood Streets Utility Undergrounding:

- 4) \$200/month parcel tax (2/3 threshold)

The survey also tested the likelihood of passing a parcel tax on the same ballot as either a dedicated sales tax or bond measure.

Dedicated Sales Tax Measure for Laguna Canyon Road and Evacuation Routes Tested in Survey

Laguna Beach Utility Undergrounding Measure

To remove utility poles and move electricity wires underground on Laguna Canyon Road and other key evacuation routes, shall the City of Laguna Beach adopt an ordinance establishing a one-cent sales tax providing approximately \$5.6 million dollars annually until ended by voters.

Bond Measure for Laguna Canyon Road and Evacuation Routes Tested in Survey

Laguna Beach Utility Undergrounding Measure

To remove utility poles and move electricity wires underground on Laguna Canyon Road and other key evacuation routes, shall the City of Laguna Beach issue \$115 million in bonds at legal rates requiring approximately \$7.7 million in debt service annually for 30 years with a tax of \$40 per \$100,000 of assessed valuation?

General Purpose Sales Tax Measure Tested in Survey

Laguna Beach Safety and Essential Services Measure

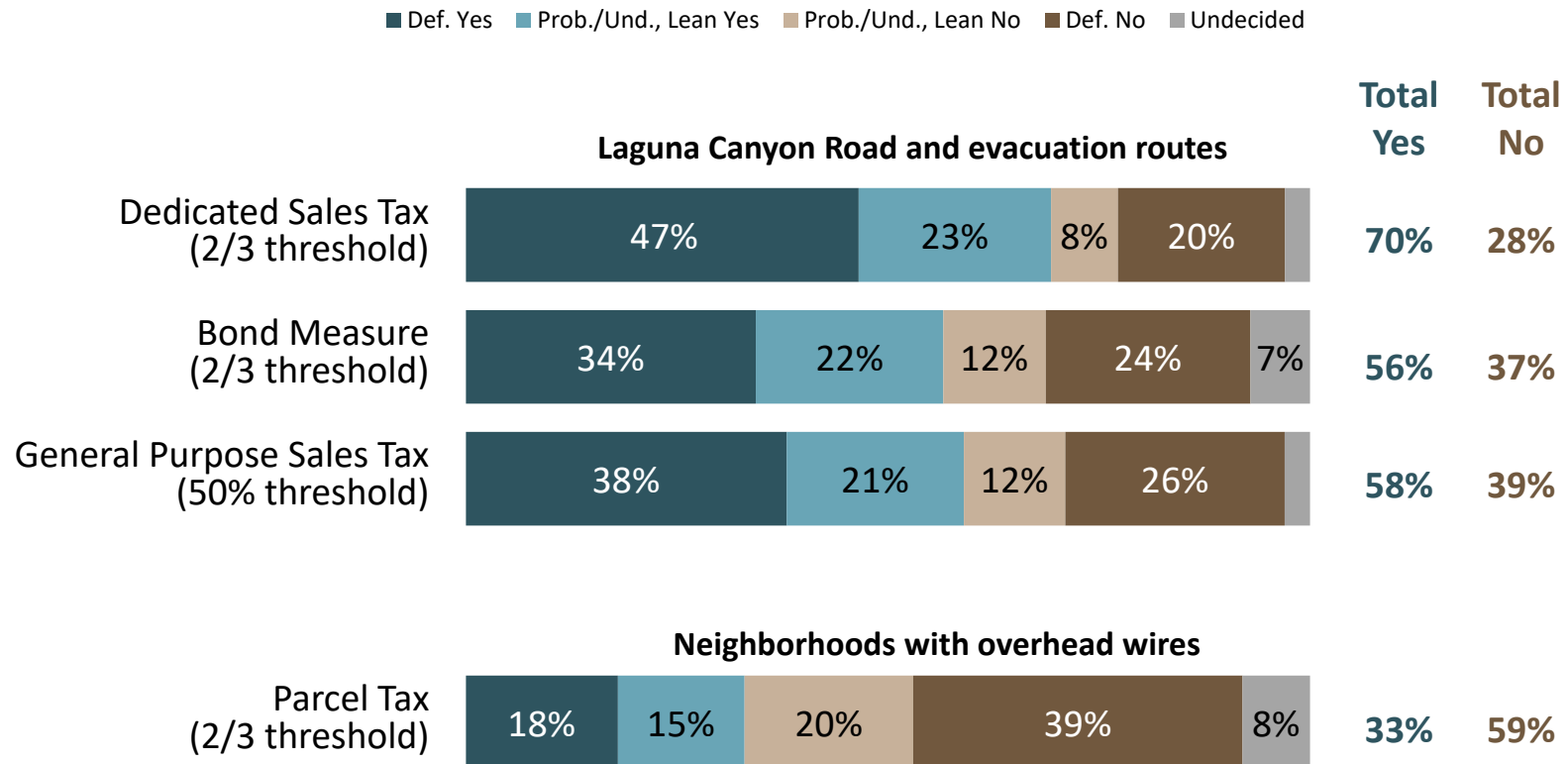
To improve fire/police protection, 911 emergency response, prepare for wildfires/earthquakes including removing utility poles and moving electricity wires underground; improve streets and sidewalks; reduce traffic congestion; provide other general services, shall the City of Laguna Beach adopt an ordinance establishing a one-cent sales tax providing approximately \$5.6 million dollars annually until ended by voters, requiring annual audits, public disclosure of expenditures, all funds only for Laguna Beach?

Neighborhood Undergrounding Measure (Parcel Tax) Tested in Survey

Laguna Beach Neighborhood Utility Undergrounding Measure

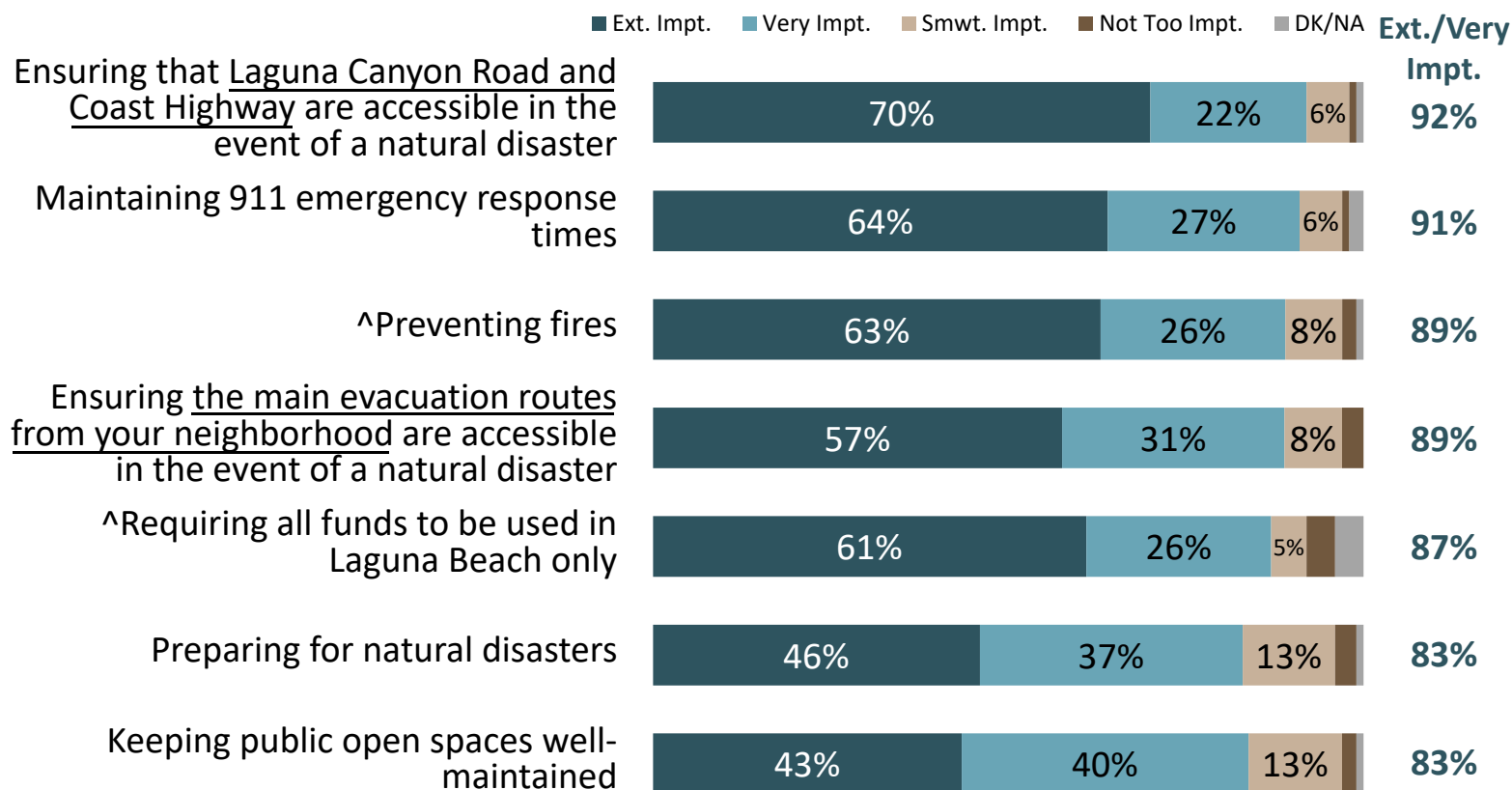
To remove utility poles and move electricity wires underground on neighborhood streets and roads with overhead power lines, shall the Laguna Beach Neighborhood Utility Undergrounding District levy \$200 per parcel per month providing approximately \$10.5 million annually, limiting tax rate and revenue increases to no more than 2% annually for 30 years, requiring independent financial audits, public disclosure of expenditures, all funds only for Laguna Beach neighborhoods?

Initially, a dedicated sales tax reaches the 2/3rds threshold.

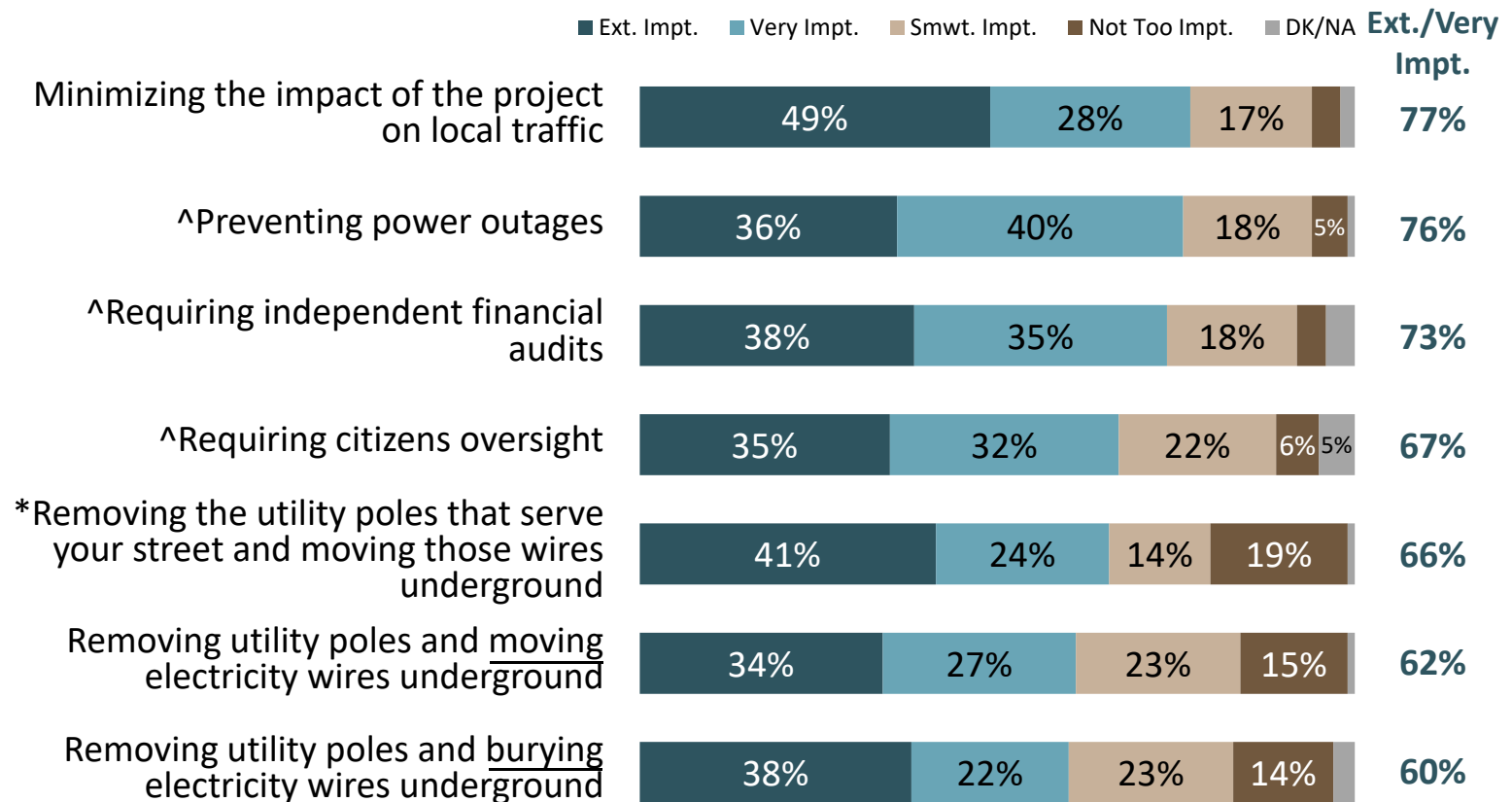


Components of the Undergrounding Plan

Keeping Laguna Canyon Road open, maintaining 911 emergency response times and preventing fires are the most important elements of the ballot measures.



It is also a high priority to minimize the impact on local traffic.

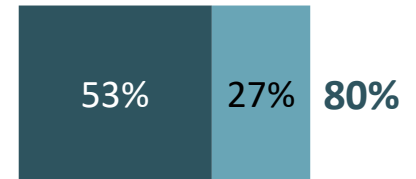


Impact of Information on Laguna Canyon Road/ Evacuation Routes Undergrounding Measures

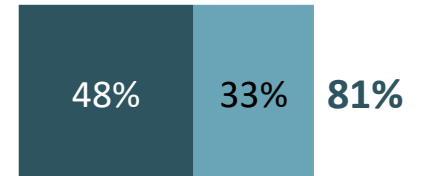
Messages about Laguna Beach's vulnerability to fires and earthquakes resonate strongly with survey respondents.

^(**VULNERABLE**) Laguna Beach is one of the most vulnerable cities in California for a quickly-spreading wildfire. In fact, according to CalFire, over 90% of the City is in a very high fire severity zone, because much of the city is located in a valley surrounded by brush and canyon land and most residents only have limited routes to get out of the city, utility poles make it more difficult for fire trucks to navigate some of our narrow streets, and downed power lines could make it much harder for first responders to access our neighborhoods. That is why this measure is strongly supported by Laguna Beach's police and fire chiefs.

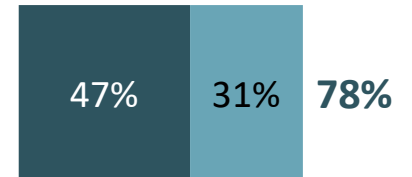
■ Very Conv. ■ Smwt. Conv.



^(**FIRE SAFETY**) Fire safety experts say that removing utility poles and moving electrical wiring underground helps to reduce the threat of fires. For example, it is believed that fallen power lines sparked this year's devastating fires in Ventura, Santa Barbara, Sonoma and Napa counties which have killed dozens of people, destroyed thousands of homes and caused billions of dollars in damage. This measure will greatly reduce that risk in Laguna Beach.



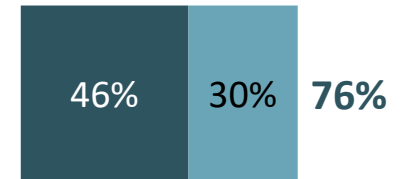
^(**EARTHQUAKES**) Passing this measure helps our City prepare for a natural disaster. When a major earthquake hits, power lines can fall, block roads and create a major hazard for residents. In particular, a downed power line or utility pole on Laguna Canyon Road could leave residents and emergency responders without access to the major road in and out of our community at a critical time when every second will count.



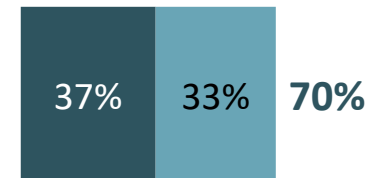
Residents also react intensely to a message about past fires in the city.

■ Very Conv. ■ Smwt. Conv.

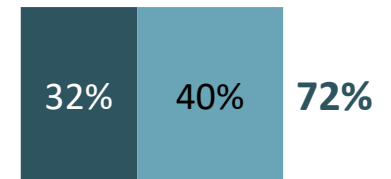
^(HAPPENED HERE) We need to take action to address the danger from overhead power lines. In the last 10 years, at least six fires in Laguna Beach have been caused by power lines and utility equipment. And Laguna Beach has a history of catastrophic fires that spread quickly and cause extensive danger and damage for residents. In 1993, a fire damaged or destroyed 440 homes and caused \$838 million in damages. Despite that destruction, the situation could have been much worse. We cannot count on being that lucky again.



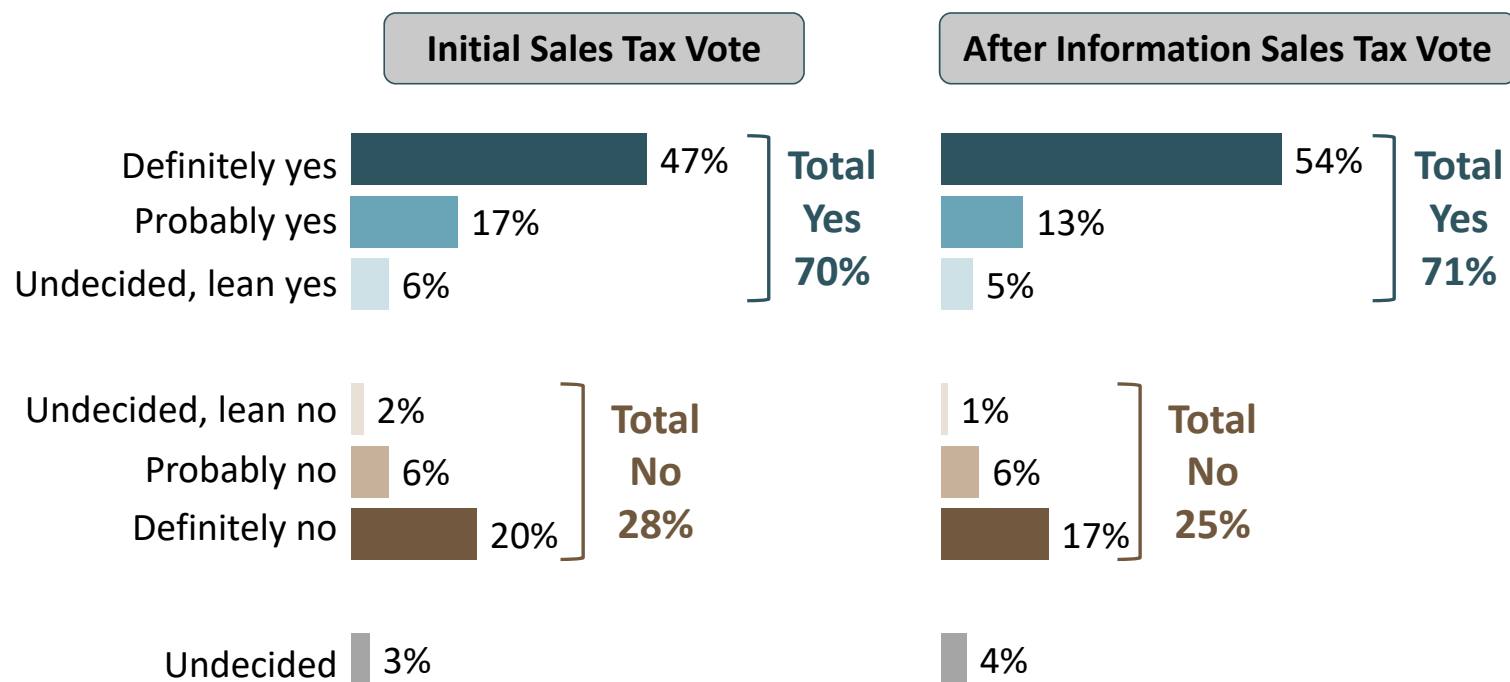
(TOURISM) Over six million visitors come to our City each year. Approximately two-thirds of the sales tax dollars collected in Laguna Beach come from residents of other cities, states and countries. This ballot measures will ensure that visitors pay their fair share to keep our community safe.



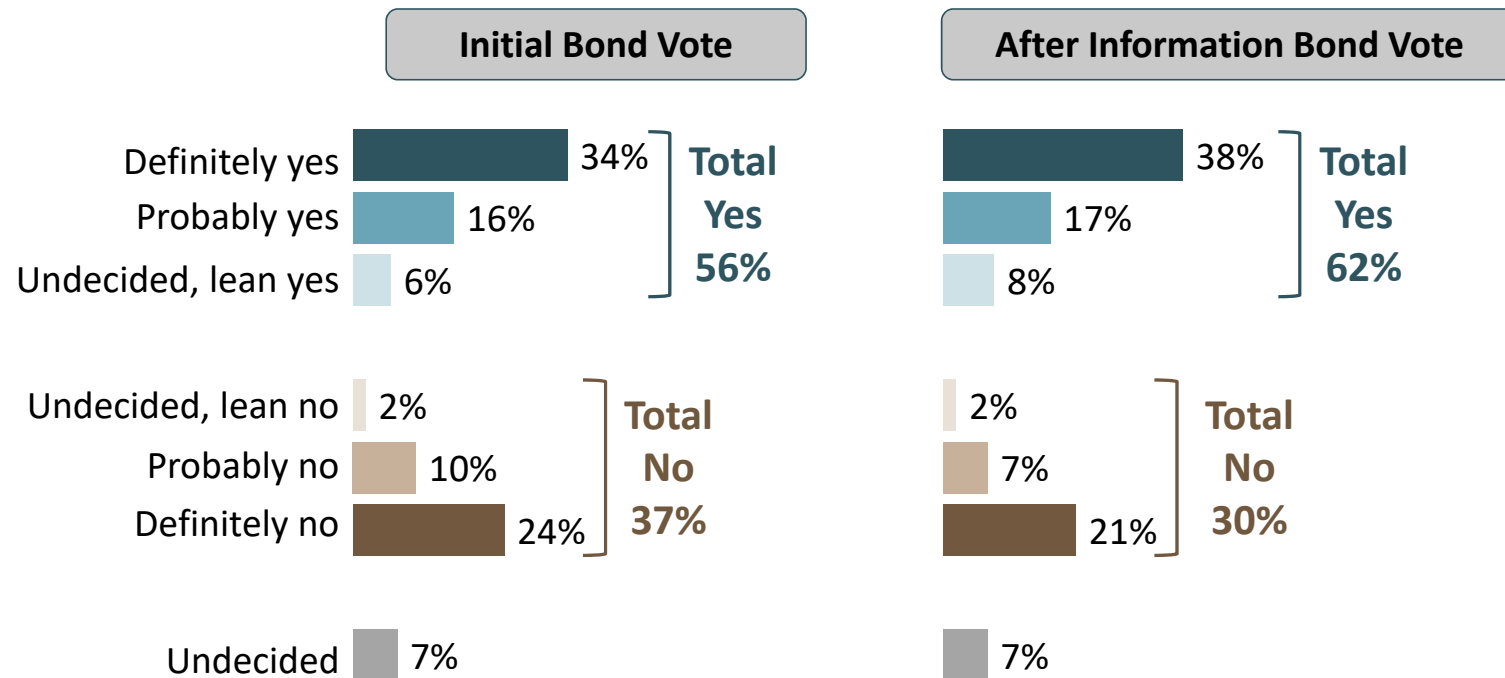
(OTHER CITIES) Most newer communities in California are built with underground power lines. And dozens of cities including San Diego, Malibu and Riverside are working on making the switch. Among other reasons, this is because study after study has shown that customers with underground power lines have fewer power outages and less time without power when outages do occur.



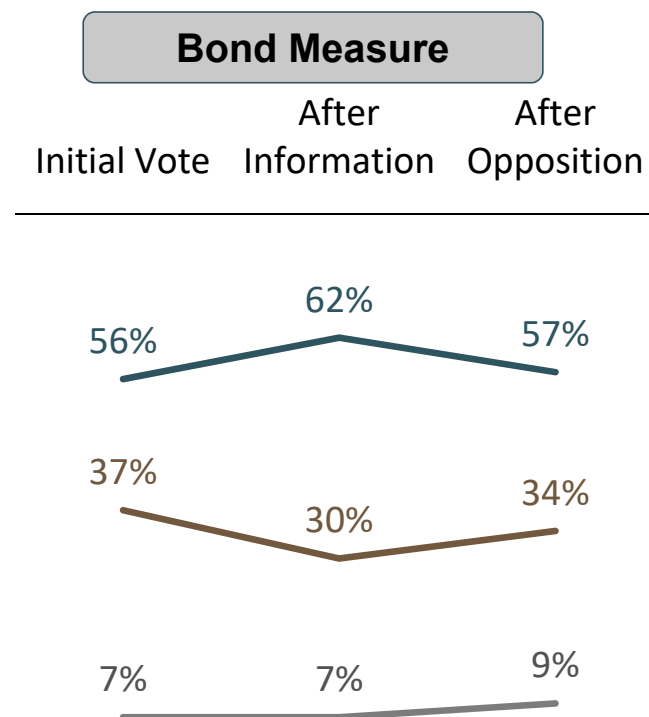
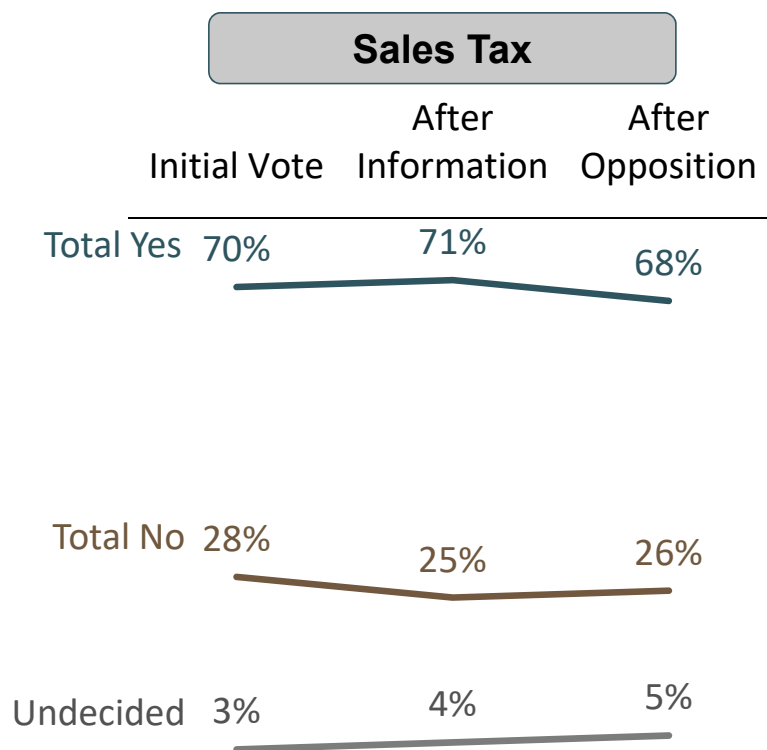
After information, support for the sales tax measure stays above the 2/3rds threshold.



Support for the bond measure increases with information.



After all information, the sales tax measure slightly exceeds the 2/3rds threshold.



Conclusions

Conclusions

- ✓ Laguna Beach residents recognize the city's vulnerability to wildfires and other natural disasters.
- ✓ Residents also support moving utilities underground, particularly on Laguna Canyon Road.
- ✓ Two ballot measures are viable for further planning and require community education for the November 2018 ballot:
 - One-cent Dedicated sales tax to underground Laguna Canyon Road and other evacuation routes and related areas
 - General obligation bond measure for Laguna Canyon Road and other evacuation routes and related areas
- ✓ A local neighborhood undergrounding parcel tax is not viable at this time and requires a comprehensive community education program.
- ✓ Putting both measures on the ballot simultaneously could jeopardize the viability of both measures and requires additional community education about the necessity of each measure, followed by further polling analysis.



Utility Undergrounding Funding Strategies

CITY COUNCIL MEETING, FEBRUARY 6, 2018



Safe and Stronger Laguna Beach

Wildfire

- Laguna Beach is vulnerable to wildfires
- Overhead utilities fall due to wind, storms, trees, vehicle contact and equipment failure
- Placing electric utilities underground eliminates the chance of fire from fallen wires



Evacuation/Emergency Access Routes

- Routes must remain clear for medical aid, fire and police emergency response, and evacuation
- Fallen wires and poles can block the needed routes
- Placing electric utilities underground eliminates the chance of a route blocked by fallen wires





Total Costs for Undergrounding

FACILITY	TYPE	LENGTH (Linear Feet)	COST Range*
Laguna Canyon Road	Transmission & Distribution	15,000	\$80 – \$90 Million
All Other Evacuation Routes	Distribution	21,000	\$35 – \$45 Million
Neighborhood Areas approx. 4000 properties	Distribution	115,000	\$170 – \$190 Million
Total		151,000	\$285 – \$325 Million

*: Includes stipend for customer connection



Citywide Utility Undergrounding

Undergrounding the remaining overhead utilities will be a significant project conducted in phases

Likely phases include:

- **Laguna Canyon Road**
- **Other Evacuation Routes**
- **Neighborhood Areas**





No Single Funding Solution for Citywide

Consider a combination of funding options:

- **Sales Tax – 1% increase = approx. \$5.6 million annually, generating approx. \$80 million of proceeds if secured by other City funds**
- **General Obligation Bond – appropriate for Citywide benefits such as Laguna Canyon Road and evacuation routes, paid by all property owners**
- **Community Facilities District Parcel Tax – appropriate for neighborhood undergrounding, paid only by property owners in the district**



Funding Options for Consideration



Option 1 Combination of Sales Tax and GO Bond for LCR and Evacuation Routes

Approximately \$115 to \$135 million of proceeds needed including:

- **1% Sales Tax:** Produces approx. \$80 Million of proceeds if secured by other City funds , annual debt service of \$5.6 million
- **GO Bond:** \$35 to \$55 million of proceeds, annual debt service of \$2.3 to \$3.6 million for 30 years, tax range of approx. \$11 to \$18 per \$100,000 of assessed value

Pros:

- Visitors will contribute to the cost of undergrounding
- \$11 to \$18 per \$100,000 of assessed value is significantly lower than the \$40 tested and could improve voter support

Cons:

- Sales tax is subject to economic volatility
- Requires to be secured by other funds, and could increase 5 years of General Fund Reserve
- Property owners pay a portion
- Two measures on one ballot



Option 2

GO Bond for LCR and Evacuation Routes

Approximately \$115 to \$135 million of proceeds needed:

- Annual debt service approx. \$7.7 to \$8.8 million for 30 years, approx. \$40 to \$47 per \$100,000 of assessed value

Pros:

- One measure on ballot
- Lowest cost of funding

Cons:

- Property owners pay for key evacuation routes
- Visitors do not pay for key evacuation routes



Option 3

Combination of Sales Tax and City Funds for LCR and Evacuation Routes

Approximately \$115 to \$135 million of proceeds needed:

- 1% Sales Tax: Approx. \$80 Million of proceeds if secured by other City funds , annual debt service of \$5.6 million
- \$35 million of proceeds from \$2.5 million of annual revenues: Measure LL \$1 million, Street Lighting \$0.7 million, Parking \$0.8 million
- \$20 million of proceeds are yet to be funded

Pros:

- Visitors will contribute to the cost of undergrounding

Cons:

- Sales Tax is subject to economic volatility
- Requires to be secured by other funds and could increase 5 years of General Fund Reserve
- Leaves no funding to pay for any part of the undergrounding of neighborhoods that are in the process of forming assessment districts
- Leaves no funding for other projects or cost overruns



Sales Tax Rates of Other California Cities with High Number of Visitors

City	Sales Tax	County
Carmel	8.750%	Monterey County
Del Mar	8.750%	San Diego County
Healdsburg	8.625%	Sonoma County
Hermosa Beach	9.500%	Los Angeles County
La Quinta	8.750%	Riverside County
Long Beach	10.250%	Los Angeles County
Malibu	9.500%	Los Angeles County
Manhattan Beach	9.500%	Los Angeles County
Monterey	8.750%	Monterey County
Pacific Grove	8.750%	Monterey County

City	Sales Tax	County
Palm Springs	8.750%	Riverside County
Saint Helena	8.250%	Napa County
San Francisco	8.500%	San Francisco County
Santa Cruz	9.000%	Santa Cruz County
Santa Monica	10.250%	Los Angeles County
Santa Rosa	8.625%	Sonoma County
Sebastopol	8.875%	Sonoma County
Sonoma	8.625%	Sonoma County
Temecula	8.750%	Riverside County
Venice	9.500%	Los Angeles County

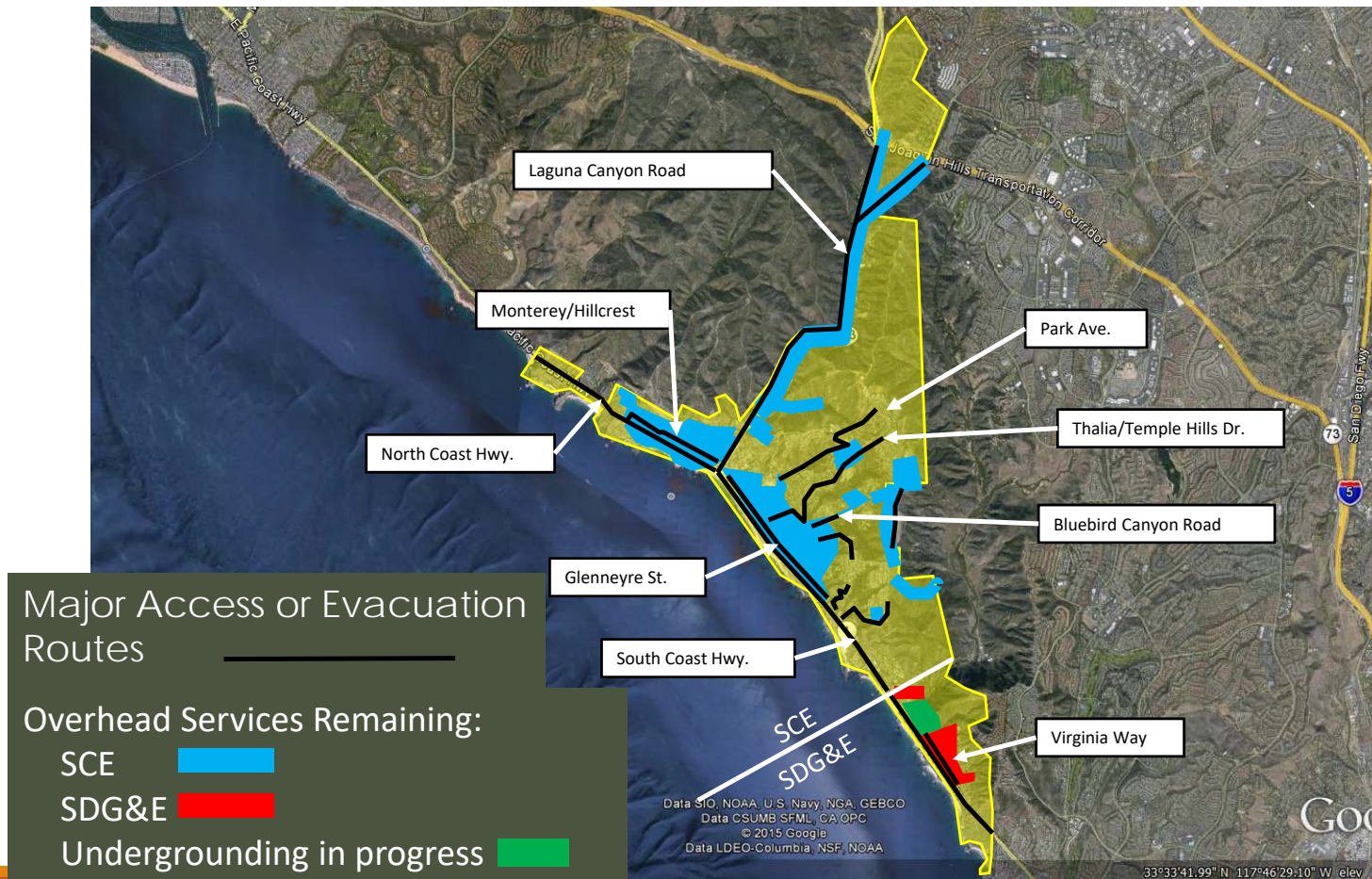
Average 9.01 %



Recommendations

- 1. Provide direction to staff regarding the potential revenue sources that should be further tested for placement on the November 2018 ballot;**
- 2. Direct staff to engage in an education and outreach effort with the Chamber of Commerce, Visit Laguna Beach, and the community regarding the undergrounding of utility poles and wires along key evacuation routes; and**
- 3. Authorize staff to conduct another community survey regarding the potential revenue sources selected by the City Council for further analysis and report back to the City Council in May 2018, with recommended next steps for the undergrounding program.**

Overhead Utilities and Preliminary Evacuation Routes Considered for Community Survey



- **These routes were identified as key evacuation routes by Public Safety departments and consultant team**
- **Other routes can be added upon further review and analysis**



Evacuation Routes with Overhead Utilities Preliminary Considered for Community Survey Cost Calculations

Street Name/Segment	Length in Linear Feet	Project Priority
Laguna Canyon Road (Laguna Canyon Frontage to El Toro Road; includes two transmission circuits and distribution)	15,000	1
Monterey (Hawthorne to Linden)	2,240	2
Thalia (Temple Terrace to 350' Southwest of Glenneyre)	2,154	3
Glenneyre (Laguna to Thalia)	2,454	4
Glenneyre (Calliope to Arch)	2,714	4
Bluebird Canyon (Eastman to Cress)	3,439	4
Pacific Coast Highway (Diamond to 200' Southeast of Upland)	1,957	4
Monterey/Virginia (West to 5th)	1,953	5
Temple Hills (Northeast and Southwest of San Remo)	1,659	5
Park (Wendt to 500' East of St. Anns)	795	6
Virginia (7th to 9th)	654	7
San Joaquin (Hillcrest to Alley)	470	8
Total	35,489	