

LB Utility Undergrounding Ballot Initiatives

LagunaResidentsFirst.com

How LB Plans to Raise Additional Monies for Undergrounding: Assessments and Taxes

- The City Council/City are convinced that Utility Undergrounding will mitigate an existential threat to those living, working and visiting Laguna Beach
- Lead by Bob Whalen, the City passed an Ordinance in 2017 mandating that Utility Companies underground all new & upgraded utilities citywide (ORD#1622, MuniCode: 21.25, 3/28/2017)
- The utilities filed suit against the City and it has since been recinded by the City Council
- The City Council now wants to have tax-payers pay for the undergrounding through special, new taxes
- Such new additional funding would have to be approved by LB voters via Ballot Initiatives that the Council is RUSHING to place on the Nov 2018 ballot

How LB Plans to Raise Additional Monies for Undergrounding: Assessments and Taxes

- Bear in mind the Council is talking about 2 different landscapes for undergrounding:
 - (a) City-wide Evacuation Routes Undergrounding
 - (b) Accelerated Community Facilities District/Assessment District (CFD/AD) neighborhood undergrounding
- (a) has been the focus of activity until now.
- Presumably (b) will be accelerated with the assistance of the City, but will proceed the same way that other ADs have in the past

City-Wide Evacuation Route Undergrounding

- The City has identified and priority-ordered the Evacuation Routes throughout the City

Street Name/Segment	Length in Linear Feet	Cost Estimate(1)	Project Priority
Laguna Canyon Road (Laguna Canyon Frontage to El Toro Road; includes transmission poles; the cost will be determined with the Laguna Canyon Road Master Plan)	14,063	TBD	1
Monterey (Hawthorne to Linden)	2,240	\$2,240,000	2
Thalia (Temple to 350' Southwest of Glenneyre)	2,154	\$2,153,000	3
Glenneyre (Laguna to Thalia)	2,454	\$2,453,000	4
Glenneyre (Calliope to Arch)	2,714	\$2,714,000	4
Bluebird Canyon (Eastman to Cress)	3,439	\$3,438,000	4
Pacific Coast Highway (Diamond to 200' Southeast of Upland)	1,957	\$1,957,000	4
Monterey/Virginia (West to 5th)	1,953	\$1,953,000	5
Temple Hills (Northeast and Southwest of San Remo)	1,659	\$1,658,000	5
Park (Wendt to 500' East of St. Anns)	795	\$795,000	6
Virginia (7th to 9th)	654	\$653,000	7
San Joaquin (Hillcrest to Alley)	470	\$470,000	8
Totals (not including Laguna Canyon Road)	20,489	\$20,489,000	

1) As a very preliminary budgeting estimate, the construction cost of undergrounding the remaining overhead utilities is approximately \$1,000 per linear foot for a total of approximately \$20 million for evacuation routes (excluding LCR).

In addition, \$128 million will be needed to underground all the remaining overhead utilities (excluding

City-Wide Evacuation Route Undergrounding

- The City has identified 2 possible ways to fund the undergrounding of the Evacuation Routes:
 - 1) General Obligation Bond (GO Bond) funded by a new assessment on each taxable property in Laguna Beach
 - 2) Additional local sales-tax added to all sales of goods & services in Laguna Beach (could be linked to a Revenue Bond)

1) General Obligation Bond

- To pass, a Ballot Initiative for a GO Bond must receive 66% of the Laguna Beach registered voters
- Would result in additional special assessments placed on all real property in Laguna Beach
- Allows voters who won't be directly affected by the additional assessment to place assessment burden on others (pitting renters vs. Property owners)
- Property owners not registered to vote in Laguna Beach would be disenfranchised (e.g. Vacation home owners)
- Possible for special assessment amount to vary, as the underlying property assessment varies

Est Assessment for GOB

If the "Evacuation-Route" GOB passed with 66% approval of LB voters, every LB eligible property will be assessed a share of the total Bond value based on the property's assessed value (according to the City).

Given that there are 8536 properties with a (2015/16) total assessed value of \$12,700,905,363 (12 billion, etc), the median property in LB (Dec2017 median = \$1,548,588) would be assessed as follows*:

- 1) \$34million bond - \$4,145.53
- 2) \$40million bond - \$4,877.09
- 3) \$50million bond - \$6,096.37

these amounts would be paid off either in a lump-sum, 15 or 20yr period. There are of course, many unknowns that might push the numbers one way or another, but I believe I'm correct within a close margin.

* All amounts ignore the cost of finance, e.g. Interest costs have not been added to the totals. In the case of a lump-sum payment these would be zero.

GOB - \$1.0Mill Assessed Value

Laguna Beach General Obligation Bond Calculator	Scenario 1	Scenario 2	Scenario 3
Enter Total Amount of G. O. Bond:	\$50,000,000.00	\$40,000,000.00	\$34,000,000.00
Enter Amount of your Property Tax Assessment:	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00
Total of your principal payments towards GOB:	\$3,936.73	\$3,149.38	\$2,676.97
Interest at 2.75% for 15yrs:	\$872.27	\$697.62	\$593.03
Total payments (principal + Interest):	\$4,809.00	\$3,847.00	\$3,270.00
Annual payments under a 15year payoff period:	\$320.60	\$256.47	\$218.00
Total LB Property Assessments 2015/16	\$12,700,905,363.00		

GOB - \$1.5Mill Assessed Value

Laguna Beach General Obligation Bond Calculator	Scenario 1	Scenario 2	Scenario 3
Enter Total Amount of G. O. Bond:	\$50,000,000.00	\$40,000,000.00	\$34,000,000.00
Enter Amount of your Property Tax Assessment:	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00
Total of your principal payments towards GOB:	\$5,905.09	\$4,724.07	\$4,015.46
Interest at 2.75% for 15yrs:	\$1,307.91	\$1,046.93	\$889.54
Total payments (principal + Interest):	\$7,213.00	\$5,771.00	\$4,905.00
Annual payments under a 15year payoff period:	\$480.87	\$384.73	\$327.00
Total LB Property Assessments 2015/16	\$12,700,905,363.00		

GOB - \$2.0Mill Assessed Value

Laguna Beach General Obligation Bond Calculator	Scenario 1	Scenario 2	Scenario 3
Enter Total Amount of G. O. Bond:	\$50,000,000.00	\$40,000,000.00	\$34,000,000.00
Enter Amount of your Property Tax Assessment:	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total of your principal payments towards GOB:	\$7,873.45	\$6,298.76	\$5,353.95
Interest at 2.75% for 15yrs:	\$1,744.55	\$1,395.24	\$1,186.05
Total payments (principal + Interest):	\$9,618.00	\$7,694.00	\$6,540.00
Annual payments under a 15year payoff period:	\$641.20	\$512.93	\$436.00
Total LB Property Assessments 2015/16	\$12,700,905,363.00		

GOB - \$2.5Mill Assessed Value

Laguna Beach General Obligation Bond Calculator	Scenario 1	Scenario 2	Scenario 3
Enter Total Amount of G. O. Bond:	\$50,000,000.00	\$40,000,000.00	\$34,000,000.00
Enter Amount of your Property Tax Assessment:	\$2,500,000.00	\$2,500,000.00	\$2,500,000.00
Total of your principal payments towards GOB:	\$9,841.82	\$7,873.45	\$6,692.44
Interest at 2.75% for 15yrs:	\$2,180.18	\$1,744.55	\$1,482.56
Total payments (principal + Interest):	\$12,022.00	\$9,618.00	\$8,175.00
Annual payments under a 15year payoff period:	\$801.47	\$641.20	\$545.00
Total LB Property Assessments 2015/16	\$12,700,905,363.00		

2) City-Wide Evacuation Route Undergrounding: Sales-Tax

- The City has conducted an email/web and phone survey with its consultants TBWB Strategies (<http://www.tbwb.com/tbwb/about-tbwb>) and their subcontractor FM3 (<https://www.fm3research.com/about>) at a cost of \$123,700
- This approach would result in residents, workers and visitors contributing to the EvacRoute undergrounding fund
- One version of the survey pitches the idea of a 1 cent additional local sales tax for 20 years to raise an additional \$5.6 million/yr
- Doing the math, that would raise an estimated \$112 million over 20 years
- Another version proposes that the sales-tax would stay in place until future voters opted to end it

2) City-Wide Evacuation Route Undergrounding: Sales-Tax

- Its unclear what % approval of voters would be required to pass the local sales tax: according to Ballotpedia:

A local sales tax measure can be approved by a simple majority—50 percent plus one vote—if the tax revenue is designed to go into the **general fund** of the city, town, county, or district for unspecified use. If the sales tax is earmarked for a specific use or special fund, a two-thirds (66.67 percent) supermajority vote is required for approval

2) City-Wide Evacuation Route Undergrounding: Sales-Tax

- Survey questions:

Laguna Beach Utility Undergrounding Issues Survey

Exit and clear survey

16%

Group 1

* The ballot measure may be titled the **Laguna Beach Utility Undergrounding Measure** and read as follows:

"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 annually until ended by voters."

If the election were held today, please indicate how you would vote:

- Yes
- No
- Don't know

Neighborhood Undergrounding: Community Facilities District/ Assessment District

- Neighborhoods are undergrounded by setting up an Assessment District (AD) sometimes referred to as Mello-Roos
- Only owners of properties within a given AD pay for undergrounding in that AD
- The City helps to define the boundaries of a neighborhood and works with the “initiators” of the neighborhood undergrounding project
- ADs require 60% WEIGHTED approval from Property Owners in the AD
- The vote for an AD is offered only to registered property owners within the boundaries of the district, and each owner's vote is weighted by the assessed value of their property

Neighborhood Undergrounding: Assessment District (AD)

- One onerous feature of 1915 ADs is that failure to pay this levy provides for accelerated (150 day) foreclosure on the property to satisfy the tax lien
- We expect the City to accelerate creation of ADs throughout city neighborhoods which have not yet undergrounded
- **Those with properties outside of the AD would not be fiscally impacted by approval of the undergrounding in that AD**

Questions?

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