



Staff Report

File #: 23-0348

REQUEST FOR CITY COUNCIL ACTION

DATE: 05/17/2023

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:
RESOLUTION DECLARING INTENTION TO LEVY AND COLLECT ASSESSMENTS WITHIN ZONES 1, 2, 4, 6, 7, 10, 15, 17, 18, AND 20 OF THE LANDSCAPE MAINTENANCE DISTRICT NO. 84-2 FOR FISCAL YEAR 2024, APPROVING PRELIMINARY ENGINEER'S REPORT, AND PROVIDING NOTICE OF PUBLIC HEARING ON THE PROPOSED ASSESSMENTS.

EXECUTIVE SUMMARY:

Landscape Maintenance District No. 84-2 provides landscape maintenance and operating services for the public landscaping and related appurtenances within the District's boundaries. Adoption of the recommended resolution will declare the City's intent to levy and collect Fiscal Year 2024 assessments, approve the preliminary Engineer's Report, and set a public hearing for July 19, 2023, at which time the City Council may approve the annual assessments and order the levy of assessments within the District.

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2023-029, declaring intention to levy and collect assessments within Zones 1, 2, 4, 6, 7, 10, 15, 17, 18, and 20 of the Landscape Maintenance District No. 84-2 for Fiscal Year 2024, approving preliminary Engineer's Report, and providing notice of public hearing on the proposed assessments.

BACKGROUND & HISTORY:

Zones 1, 2, 4, 6, 7, 10, 15, 17, 18, and 20 of the Landscape Maintenance District No. 84-2 ("LMD 84-2" or "District") were established in 1986 in accordance with the provisions of the Landscaping and Lighting Act of 1972 (the "1972 Act"). The purpose of the District is to provide landscape maintenance and operating services for the public landscaping and related appurtenances within the District's boundaries.

The annual assessments proposed to be levied within the District will pay for the maintenance services during Fiscal Year 2024. The services provided include all necessary operations, administration, capital replacements, and maintenance required to keep the above-mentioned improvements in a healthy and satisfactory working condition.

ANALYSIS:

The State of California Street and Highways Code Section 22500 requires an annual review of the assessments levied by the assessment districts formed under the 1972 Act. In order to levy and collect special assessments within the districts, an Engineer's Report must be prepared, which provides details on the improvements that are maintained and the estimated budgets for each district.

On May 3, 2023, the City Council adopted Resolutions No. 2023-028, to initiate the proceedings to levy and collect assessments for the District for Fiscal Year 2024, appointed Spicer Consulting Group, LLC as the engineer of record, and ordered the preparation of an Engineer's Report for the District.

Attached to this report is the preliminary Engineer's Report (the "Report") as it pertains to the District, which includes a detailed description of the existing improvements within the District, the estimated maintenance costs, the methods of assessment apportionment, and diagram showing the boundaries of the District. The report also provides analyses of the District's financial status.

FINANCIAL IMPACT:

The cost of operation, servicing, and maintenance of the District will be funded by the assessments levied and collected within the District.

For Fiscal Year 2024, it is projected that the assessment revenues will be sufficient to cover the operating costs for Zones 1, 4, 7, 10, 15, and 20 within the District during the same fiscal period. The estimated surplus in these zones will be added to the capital reserve for future capital improvement within the District.

It is also projected that the assessment revenues will be insufficient to cover the operating costs for Zones 2, 6, 17, and 18 during the same fiscal period. These zones do not have a built-in escalator for the annual levy. The estimated deficits are due to rising costs over the years and the levy not keeping up with the expenditures.

In Fiscal Year 2024, the estimated operating deficit in Zone 2 is \$12,478, which will be covered by a one-time contribution from the capital reserve in the same zone. The current estimated reserve balance in Zone 2 is \$100,611 as of June 30, 2023. Based on the Fiscal Year 2024 expenditure budget, the reserve balance will be exhausted in approximately 8 years.

In Fiscal Year 2024, the estimated operating deficit in Zone 6 is \$43,443, which will be covered by a one-time contribution from the capital reserve in the same zone. The current estimated reserve balance in Zone 6 is \$488,511 as of June 30, 2023. Based on the Fiscal Year 2024 expenditure budget, the reserve balance will be exhausted in approximately 11 years.

In Fiscal Year 2024, the estimated operating deficit in Zone 17 is \$12,572, which will be partially covered by a one-time contribution from the operating and capital reserve in the same zone. The current estimated reserve balance in Zone 17 is \$25,070 as of June 30, 2023. Based on the Fiscal Year 2024 expenditure budget, the reserve balance will be exhausted in Fiscal Year 2025.

In Fiscal Year 2024, the estimated operating deficit in Zone 18 is \$30,413, which will be covered by a one-time contribution from the capital and operating reserves in the same zone. The current estimated reserve balance in Zone 18 is \$48,164 as of June 30, 2023. Based on the Fiscal Year 2024 expenditure budget, the reserve balance will be exhausted in Fiscal Year 2025.

Staff is currently assessing options to ensure the financial sustainability of zones within the District that have funding shortages and will return to the City Council at the 2023 Fall Workshop with updated information.

Below is an overview of the District’s estimated assessment revenues and proposed expenditures for the Fiscal Year 2024. Detailed information can be found in the attached Report.

District	Estimated Costs	Estimated Assessment Revenue	General Benefit Contribution(1)	Estimated Excess/(Deficit)	Actual Assessment YOY % Change
Zone 1	\$2,867.76	\$4,147.36	\$0.00	\$1,279.60	0.00%
Zone 2	\$93,771.15	\$81,084.00	(\$209.09)	(\$12,478.06)	0.00%
Zone 4	\$84,396.30	\$93,609.68	\$0.00	\$9,213.38	0.00%
Zone 6	\$358,212.23	\$314,768.69	\$0.00	(\$43,443.54)	0.00%
Zone 7	\$76,429.19	\$78,793.00	\$0.00	\$2,363.81	0.00%
Zone 10	\$1,556,540.68	\$2,139,262.93	\$0.00	\$582,722.24	0.00%
Zone 15	\$27,264.38	\$27,555.68	\$0.00	\$291.29	0.00%
Zone 17	\$34,682.47	\$22,110.00	\$0.00	(\$12,572.47)	0.00%
Zone 18	\$66,776.74	\$35,980.00	(\$382.80)	(\$30,413.94)	0.00%
Zone 20	\$828,246.05	\$1,068,698.21	\$0.00	\$240,452.16	0.00%

¹⁾ Benefit received by non-residents of the District for the landscape improvements. This amount is contributed by the City's General Fund.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely declares the City's intent to levy and collect assessments within the District for Fiscal Year 2024, and there is no possibility that adopting the resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

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PREPARED BY: ERMA MONTANO, SENIOR FINANCIAL ANALYST

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - FY 2024 LMD 84-2 Preliminary Engineer's Report, as it pertains to the District
2. Exhibit 2 - Resolution No. 2023-029