



Staff Report

File #: 24-0433

REQUEST FOR CITY COUNCIL ACTION

DATE: 06/05/2024

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

PUBLIC HEARING CONFIRMING THE DIAGRAM AND ASSESSMENT FOR LIGHTING MAINTENANCE DISTRICT NO. 84-1 FOR FISCAL YEAR 2025 AND TO DETACH CERTAIN TERRITORY FROM THE DISTRICT

EXECUTIVE SUMMARY:

This staff report asks the City Council to adopt Resolution No. 2024-035. Adoption of the recommended resolution is the last step of the annual proceedings for the levy and collection of the special assessment for Lighting Maintenance District No. 84-1 for Fiscal Year 2025 and to detach certain territory from the District. The City Council will conduct a public hearing to afford all interested parties an opportunity to make verbal or written comments on the proposed annual assessment.

At the conclusion of the hearing, it is recommended that the City Council adopt the said resolution confirming the diagram and assessments for the District for Fiscal Year 2025, which will constitute the levy of the assessment for the maintenance and servicing of public lighting facilities within the District, in accordance with the Streets and Highways Code.

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2024-035, confirming the diagram and assessment for Lighting Maintenance District No. 84-1 for Fiscal Year 2025 and to detach certain territory from the District.

BACKGROUND & HISTORY:

Landscape Maintenance District (LMD) 84-1 was established in 1984 in accordance with the provisions of the Landscaping and Lighting Act of 1972 (the "1972 Act"). The purpose of the District is to provide lighting, maintenance, and operating services for the streetlights, traffic signals, 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 2025. 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. To levy and collect special assessments within such 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 April 17, 2024, the City Council adopted Resolution No. 2024-013, to initiate the proceedings to levy and collect assessments for the District for Fiscal Year 2025, appointed Spicer Consulting Group, LLC as the engineer of record, and ordered the preparation of an Engineer's Report for the District.

On May 1, 2024, the City Council adopted Resolution No. 2024-018, to declare the City's intention to levy and collect assessments within the District for Fiscal Year 2025 and to detach certain territory from the District, to approve the preliminary Engineer's Report (the "Preliminary Report"), and to provide a notice of public hearing to consider the proposed assessments. A notice of public hearing was published in the local newspaper on May 10, 2023.

Attached is the final Engineer's Report (the "Report") for the District, which is consistent with the Preliminary Report. The Report includes a detailed description of the existing improvements within the District, the estimated maintenance costs, the method of assessment apportionment for each lot or parcel within the District boundaries, and a diagram showing the boundaries of the District. Certain territories are detached from LMD 84-1, as noted in Appendix D of the Report, because newly formed Community Facilities Districts will now provide the services to those properties. Those detached properties will not be included in the Fiscal Year 2025 assessments for LMD 84-1. The Report also provides an analysis of the District's financial status.

FINANCIAL IMPACT:

The cost of construction, installation, operation, servicing, and maintenance of the District will be funded by the assessments levied and collected within the District. For Fiscal Year 2025, it is projected that the assessment revenue will be insufficient to cover the operating costs during the same fiscal period, resulting in an estimated operating deficit of \$326,107. The estimated deficit is due to the rising costs of maintenance services, and the District does not have a built-in escalator for the annual levy to keep up with expenditures. The City has made several improvements to address this shortfall over the years, including replacing the older High-Pressure Sodium streetlights with LED lights, and installing a lighting control system to provide energy savings and proactively respond to service issues. However, with inflation, operating costs continue to increase. The estimated deficit in Fiscal Year 2025 will be covered by a one-time contribution from the District's operating reserves. The current estimated operating reserve balance is \$470,142 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the operating reserve balance could be exhausted by Fiscal Year 2025 if ongoing contributions are needed to balance the District's expenditure budget. During

Fiscal Year 2025, further discussions will occur with the City Council on different options for addressing the deficit within the City’s special assessment districts.

Below is an overview of the District’s estimated assessment revenues and proposed expenditures for Fiscal Year 2025. Detailed information can be found in the attached Report.

Estimated Costs	Estimated Assessment Revenue	General Benefit Contribution (1)	Estimated Excess/(Deficit)	Actual Assessment YOY % Change
\$2,493,754.00	\$2,012,073.11	\$106,463.73	(\$326,107.19)	0.00%

¹⁾ Benefit received by non-residents of the District for the major/arterial streetlights, traffic signals, traffic control devices and 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 2025, and there is no possibility that adopting the resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: ERMA MONTANO, SENIOR FINANCIAL ANALYST

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - FY 2025 LMD 84-1 Engineer’s Report
2. Exhibit 2 - Resolution No. 2024-035