



Staff Report

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**File #:** 22-0942

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**REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 12/7/2022

**TO:** Honorable Mayor and City Council Members

**FROM:** City Manager's Office

**SUBJECT:**  
Interfund Loan Agreement - City of Corona General Fund 110 to LMD 84-2 Zone 19 Fund 468.

**EXECUTIVE SUMMARY:**

This staff report asks the City Council to consider approving an Interfund Loan Agreement from City of Corona General Fund 110 to Landscape Maintenance District (LMD) 84-2 Zone 19 Fund 468 in the maximum amount of \$166,548 to help pay for the maintenance of landscaping and facilities. This LMD is currently operating at a deficit in FY 2023, and expenditures are currently outpacing revenues. This loan will help fund landscape services for the current fiscal year while a long-term funding solution is identified.

**RECOMMENDED ACTION:**

**That the City Council** approve the Interfund Loan Agreement for the City of Corona General Fund 110 to LMD 84-2 Zone 19 Fund 468 in the amount of \$166,548.

**BACKGROUND & HISTORY:**

Zone 19 of Landscape Maintenance District No. 84-2 ("LMD 84-2" or "Zone 19") was established in 1986 under the Landscaping and Lighting Act of 1972 for the purpose of providing landscape maintenance and operating services within the Zone 19 boundaries.

Zone 19 is made up of approximately 36.78 acres dispersed throughout South Corona and includes 3,692 benefit units. An annual assessment of \$126.00 is levied on each benefit unit to pay for services to maintain the landscaping within the public right-of-way throughout Zone 19, including all necessary operations, administration, capital improvements, and maintenance required to keep the improvements in satisfactory working condition. This levy was first assessed in 1987, and it has remained the same since 2002. The levy amount cannot be raised without a Prop 218 ballot measure, which requires that a majority of the property owners within Zone 19 vote to approve the increase. As a result, the cost of Zone 19's services are currently being paid for at 2022 prices, but the money to pay for it is collected at 2002 rates, resulting in a funding deficit.

**ANALYSIS:**

As mentioned above, the annual levy in Zone 19 has not increased since July 1, 2002, and the zone is currently operating at a deficit. This deficit is due to increases in labor and maintenance costs that have occurred throughout the past 20 years, and costs are continuing to grow with new state regulations on weed treatments, mandated use of electric power equipment, and potential drought restrictions and conservation requirements. The LMD 84-2 Fund ended Fiscal Year 2022 with a negative fund balance of \$66,548, and this amount is projected to increase by an additional \$90,000 by the end of Fiscal Year 2023 (based on Fiscal Year 2022 year-end actuals). In addition to operating at a deficit, the zone also has significant areas of landscaping that are missing plants and trees, and there are no funds available to replace these missing items.

At the Fall Policy Workshop on September 28, 2022, staff presented an update to the City Council on the financial status of Zone 19 and the current and future challenges within the zone. Following discussion, the City Council directed staff to prepare an interfund loan agreement to maintain current service level standards in Zone 19 for the short term, and to begin community outreach for a Prop 218 election to increase the annual levy in Zone 19 to ensure it is sustainably funded in the long term.

Council's direction on the interfund loan was for a maximum amount of \$100,000 to cover the Fiscal Year 2023 deficit. In addition, staff is requesting an additional amount of \$66,548 to cover the existing negative fund balance for Fiscal Year 2022, for a total maximum loan amount of \$166,548. The loan will be provided by the General Fund 110 at an interest rate equivalent to the annualized Local Agency Investment Fund (LAIF) quarterly apportionment rates for the fiscal year, but no greater than 3.0% per annum, and will be repaid on an annual basis over a 10-year period using available revenues in the LMD 84-2 Fund. If available revenues are not sufficient to pay the annual payment, any unpaid balance will be carried forward to the next due date.

Staff is currently developing an outreach plan to educate residents about the financial challenges in Zone 19 and the need to increase the annual levy. Initial outreach will begin in January 2023 to identify residents' desired level of service for the zone. Staff will return to the City Council in March 2023 to present the findings of this outreach and seek direction on initiating proceedings for a proposed Prop 218 election to increase the levy within Zone 19. If the Council votes to proceed with an election, ballots will be mailed to each property owner in Zone 19 in May/June and tabulated in July. The election requires a majority vote of the property owners to pass, and the new assessment amount would be placed on the County tax roll in August 2023 and factored into the revenue projections for the Fiscal Year 2024 budget.

**FINANCIAL IMPACT:**

The financial impact of this action is a maximum loan amount of \$166,548 from the General Fund 110 to the LMD 84-2 Fund 468. The loan will carry an interest rate equivalent to the annualized Local Agency Investment Fund (LAIF) quarterly apportionment rates, but no greater than 3.0% per annum, and will be repaid over a 10-year period using available funds in LMD 84-2 Zone 19 Fund 468.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Statute and Guidelines, which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with the 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 is to approve an Interfund Loan Agreement for LMD 84-2 Zone 19, and there is no possibility that this action will have a significant effect on the environment. Therefore, no environmental analysis is needed.

**PREPARED BY:** DONNA FINCH, ASSISTANT TO THE CITY MANAGER

**REVIEWED BY:** JACOB ELLIS, CITY MANAGER

**Attachment:**

1. Exhibit 1 - Interfund Loan Agreement
2. Exhibit 2 - Zone 19 map
3. Exhibit 3 - Presentation