



# LANDSCAPE MAINTENANCE DISTRICTS **RENEWAL INITIATIVE**



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# The Ask

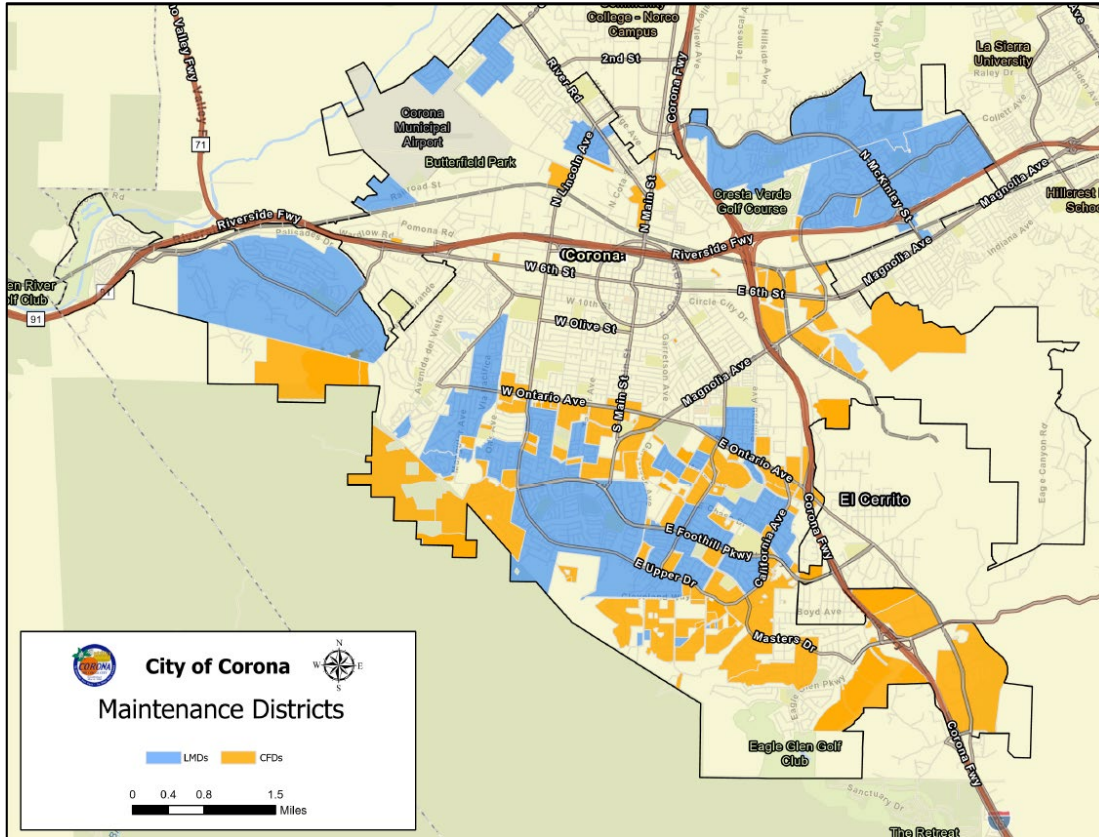
That the City Council provide direction on funding solutions, service level options, and additional considerations for Landscape Maintenance Districts in the City of Corona.

# Overview

- ▷ Maintenance Assessment Districts in Corona
- ▷ Current and Future Challenges
- ▷ Financial Health of Maintenance Districts
- ▷ Funding Solutions
- ▷ Service Level Options
- ▷ Additional Considerations:
  - Adding Escalators to LMD Zones
  - Creating new landscape Maintenance Districts



# Maintenance Assessment Districts in Corona



## ➤ Landscape Maintenance District (LMD) 84-2

- 12 Benefit Zones / 17,300 parcels
- Maintains parks, slopes, parkways, and open spaces

## ➤ Maintenance Community Facilities Districts (CFDs)

- 11 Districts / 5,856 parcels
- Maintains parks, slopes, parkways, roads, street lighting, traffic signals, street sweeping, pavement management, trails, and graffiti abatement

**20,400 parcels not covered by LMD/CFD**

# Challenges

## Current

- Expenditures outpacing revenues
- Maintenance and labor costs are increasing
- Lack of standardized maintenance practices
- Sustainable landscape enhancements needed
- Unfunded capital project needs
- Lack of parity between zones

## Future

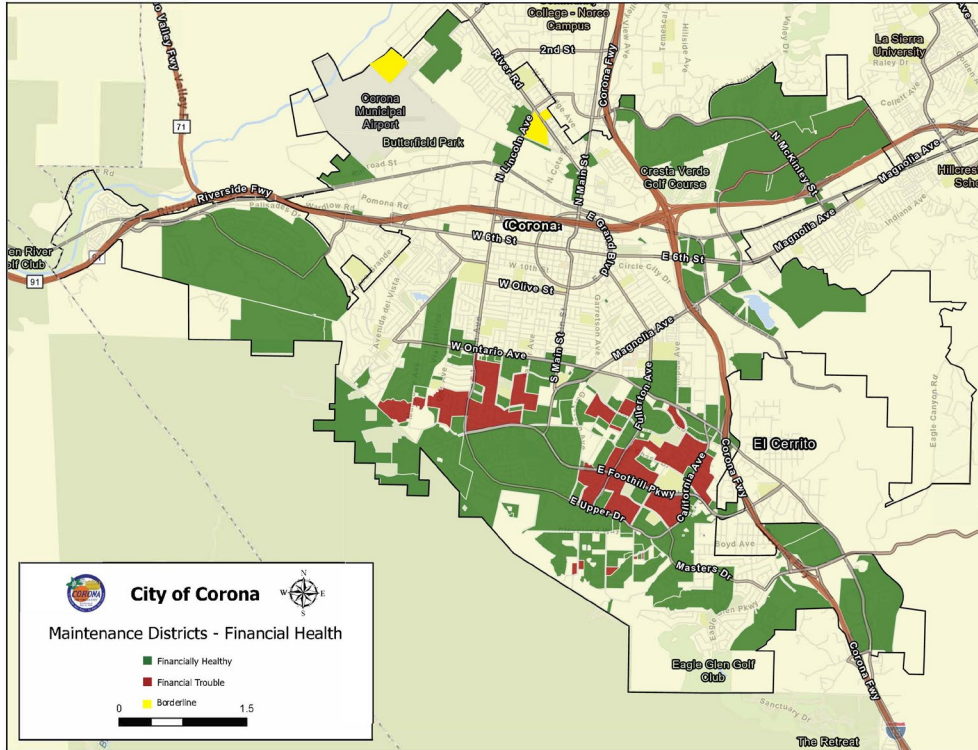
- New regulations on treatments for weed abatement
- Future mandated use of electric power equipment (i.e., mowers, trimmers, blowers, chain saws)
- Potential drought restrictions and conservation requirements

# MAINTENANCE DISTRICTS

## Financial Health



# Financial Health



## Financially Healthy Criteria:

- ▷ Revenues cover annual costs
- ▷ Operating reserve is 50% of expenditures
- ▷ At least one-time ratio between capital reserves and costs

## CFDs Financial Health:

- ▷ All CFDs are financially healthy and have annual escalators

## LMDs Financial Health:

### Financially Healthy Zones:

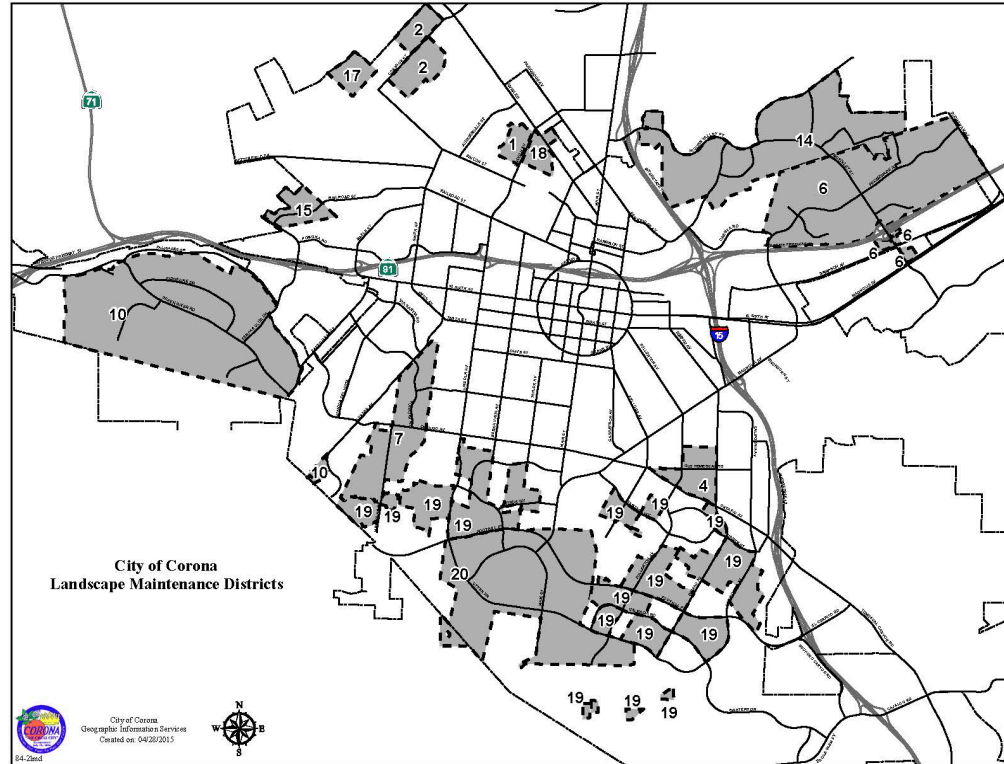
- With escalator: 4, 10, 14, 20
- No escalator: 1, 2, 6, 7, 15

### Borderline Zones: 17 & 18 (no escalator)

### Financial Trouble Zone: 19 (no escalator)

# Landscape Maintenance District (LMD) 84-2

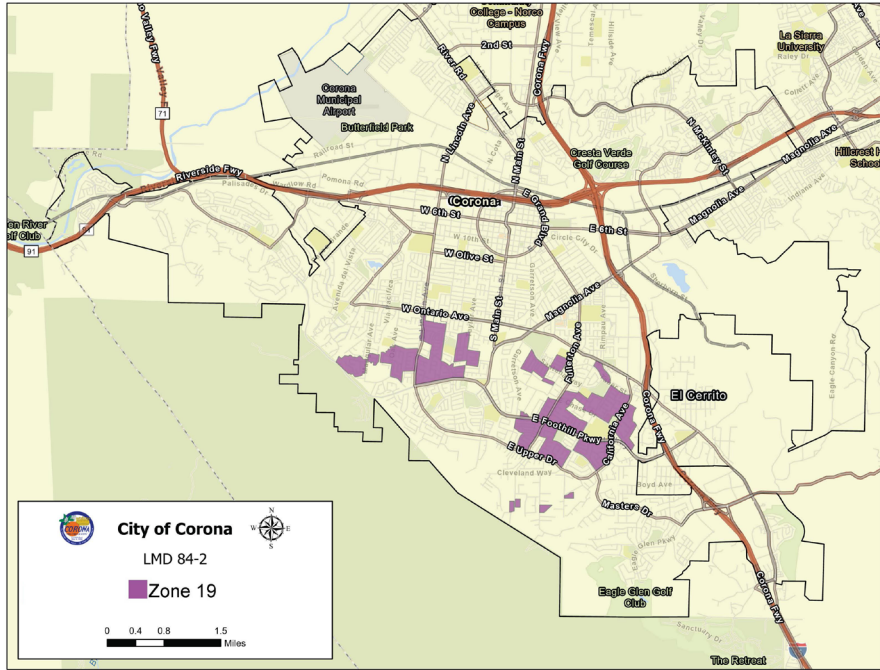
| Zone | Acres | Benefit Units (BU) | Max Levy per Unit | Escalator  |
|------|-------|--------------------|-------------------|------------|
| 1    | .02   | 184                | \$22.54           | No         |
| 2    | 8.63  | 699                | \$116.00          | No         |
| 4    | 3.46  | 514                | \$192.55          | 3% or CPI* |
| 6    | 24.52 | 4,619              | \$68.21           | No         |
| 7    | 8.98  | 1,433              | \$55.00           | No         |
| 10   | 185.9 | 3,430              | \$648.53          | 2% or CPI* |
| 14   | 35.45 | 2,305              | \$270.80          | 2% or CPI* |
| 15   | 1.77  | 383                | \$106.90          | No         |
| 17   | 1.27  | 201                | \$110.00          | No         |
| 18   | 1.92  | 360                | \$100.00          | No         |
| 19   | 36.78 | 3,692              | \$126.00          | No         |
| 20   | 70.27 | 2,574              | \$440.39          | 2% or CPI* |



\*Lesser of



# Zone 19 Challenges



| Zone | Acres | Benefit Units (BU) | Max Levy per BU | FY22 Total Revenues | FY22 Total Costs | Deficit    | FY22 Capital Reserve | FY22 Operating Reserve |
|------|-------|--------------------|-----------------|---------------------|------------------|------------|----------------------|------------------------|
| 19   | 36.78 | 3,692              | \$126.00        | \$466,151           | \$555,102        | (\$88,951) | \$0                  | (\$66,548)             |

# FUNDING SOLUTIONS

## Zone 19

# Option 1 – Service Cuts

## Reduce Service Levels

| Service Type                                | Current Service Level | Reduced Service Level |
|---|-----------------------|-----------------------|
| Mowing, Edging & Blowing                    | Weekly                | Bi-weekly             |
| Litter Pickup                               | Weekly                | Monthly               |
| Weed Control                                | Monthly               | Monthly               |
| Vine, Shrub, and Brush Trimming             | Monthly               | Quarterly             |
| Ground Cover Trimming                       | Monthly               | Quarterly             |
| Irrigation Testing, Maintenance & Repair    | Monthly               | As needed             |
| Tree Trimming & Planting                    | Yearly/grid           | None                  |
| Backflow, Cages & Curb Markings Painted     | Yearly                | None                  |
| Replacement of Aging or Dead Plant Material | As needed             | None                  |
| Turf Fertilization and Aeration             | As needed             | None                  |
| Mulch Planter Areas                         | As needed             | None                  |
| Upgrade Irrigation for Spring/Summer        | Yearly                | As needed             |
| Weed Abatement for Spring/Summer            | Yearly                | Yearly                |

## Challenges

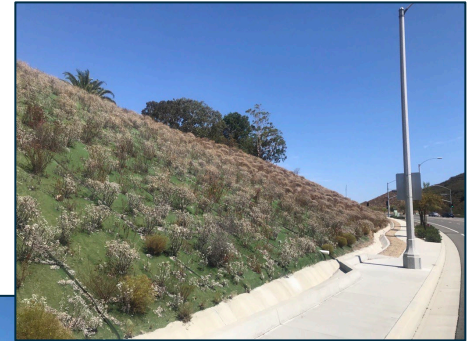
- ▷ Contractors likely to request re-bid of current contracts
- ▷ Same amount of work needed in fewer visits
- ▷ Additional staff time to respond to resident complaints

**Estimated Annual Savings = 5%**

# Option 1 – Service Cuts (cont.)

## Slope Landscape Conversion

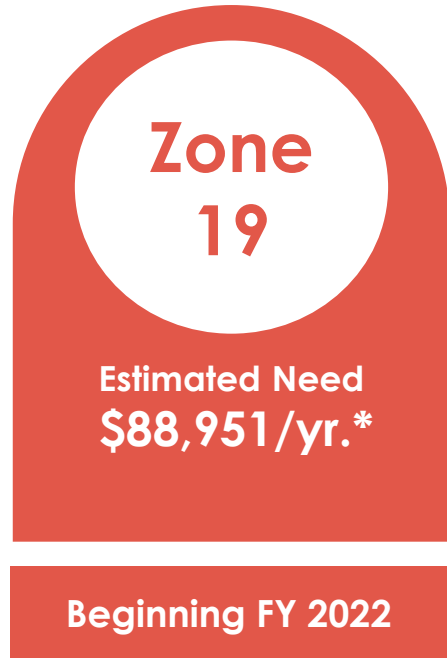
- ▷ Convert slopes back to natural/ native habitat
  - Stop all watering
  - Remove existing landscape as needed
  - Allow native plants to grow
  - Perform weed abatement 2 time per year
  
- ▷ Zone 19 areas suitable for naturalization:
  - MWD bike path (between Oak Ave. & Foothill Blvd.)
  - Valencia Rd. (slopes)
  - Upper Dr. (slopes)



**Estimated Annual Savings = 30-40%**

# Option 2 – Temporary Internal Financing

## Interfund Loan



- ▶ Borrow revenue from other funds to temporarily offset operating deficits in Zone 19
- ▶ Allows landscape services to be maintained at current levels
- ▶ Does not include funding to restore missing landscaping
- ▶ Financial health of Zone 19 needs to be restored to pay back loan

\*Estimate based on FY 2022 Budget Actuals

# Option 3 – District Financing

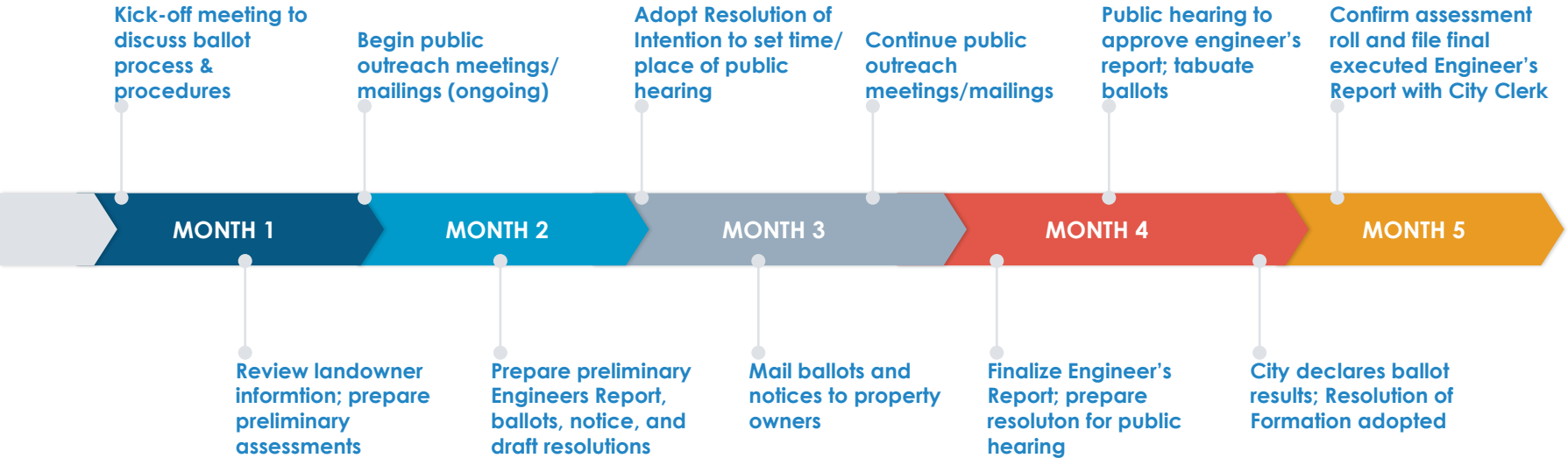
## Rate Adjustment



- Increase annual levy rates for properties in Zone 19
- Prop 218 ballot measure required
- 50% + 1 majority vote of property owners
- ~5-month timeline



# Rate Adjustment Timeline (Prop 218 Ballot)



# Funding Solution Options

## Zone 19

|      | Option 1<br>Reduce Service Levels   | Option 2<br>Interfund Loan<br>(Temporary)   | Option 3<br>Rate Adjustment Only  | RECOMMENDED<br>Option 4<br>Interfund Loan<br>+ Rate Adjustment  |
|------|---|---|---|---|
| Pros | <ul style="list-style-type: none"> <li>Short term cash savings</li> </ul>   | <ul style="list-style-type: none"> <li>Maintains current landscape conditions</li> </ul>                  | <ul style="list-style-type: none"> <li>Provides long term funding solution</li> </ul>                                 | <ul style="list-style-type: none"> <li>Maintains current landscape conditions</li> <li>Provides long term funding solution</li> </ul> |
| Cons | <ul style="list-style-type: none"> <li>May lose maintenance contracts</li> <li>Increase in resident complaints</li> <li>Increases inequity between zones</li> </ul> | <ul style="list-style-type: none"> <li>Temporary solution</li> <li>Not financially sustainable</li> </ul> | <ul style="list-style-type: none"> <li>Additional cost</li> <li>Does not address current operating deficit</li> </ul> | <ul style="list-style-type: none"> <li>Additional cost</li> </ul>   |

**DISCUSSION**

# SERVICE LEVELS

## Zone 19

# Service Level Options

1

**Reduce  
Service Levels**

**Not  
Recommended**

2

**Maintain  
Service Levels**

**Good**

3

**Maintain  
Service Levels  
+ Restore  
Landscaping**

**Better**

4

**Maintain  
Service Levels  
+ Restore *and*  
Enhance  
Landscaping**

**Best**

# 1

## Reduce Service Levels

### Not Recommended

- ▷ Reduce frequency of mowing, litter pickup, and trimming of brush, shrubs, ground cover, and vines
- ▷ Limited (reactive) tree maintenance
- ▷ Reduce watering
- ▷ Convert back to native in suitable slope areas
- ▷ **No Prop 218 assessment increase required**



# 2

## Maintain Current Service Levels Good

- ▷ Continue landscaping at current service levels
- ▷ Prevent future deterioration of landscape areas
- ▷ **Baseline Prop 218 rate increase required**





# 3

## Maintain Current Service Levels + Restore Landscaping Better

- ▶ Continue landscaping at current service levels
- ▶ Replant missing landscape using new sustainable plant palettes
- ▶ **Baseline Prop 218 rate increase required**  
**+**  
**Additional capital investment of \$3.3 million\***



*\*Estimate based on missing landscape area (est. 300,000 sf) with replacement cost of \$11.00 per square ft.*

## 4

# Maintain Current Service Levels + Restore *and* Enhance Landscaping

## Best

- ▷ Remove turf and replace with hardscape and sustainable plant palettes
- ▷ Replace missing landscape
- ▷ **Baseline Prop 218 rate increase required**

+

**Additional capital investment of  
\$10 million\***



\*Estimate based on turf parkway area (611,657 sf) plus missing landscape area (est. 300,000 sf) with replacement cost of \$11.00 per square ft. 22

# Rate Phasing Options\*

| Options  | Service Level  | Current Rate | Proposed Maintenance Cost (a) | Capital Loan Repayment (b)                               | Total Proposed Rate (a+b)                                 | Increase   | Monthly Increase                                       |
|----------|--|--------------|-------------------------------|--|---|--|--|
| <b>1</b> | <b>Reduce Service Levels</b>   | \$126.00     | \$126.00                      | \$0  | \$126.00  | \$0  | \$0  |
| <b>2</b> | <b>Maintain Service Levels</b>   | \$126.00     | \$180.31                      | \$0  | \$180.31  | \$54.31  | \$4.53   |
| <b>3</b> | <b>Maintain Service Levels + Restore Landscaping</b><br>\$3.3 Million Capital Investment | \$126.00     | \$189.05                      | a. 3yr. \$277.09<br>b. 5yr. \$166.25<br>c. 10 yr.\$83.12 | a. 3yr. \$466.13<br>b. 5yr. \$355.30<br>c. 10yr.\$272.17  | a. 3yr. \$340.13<br>b. 5yr. \$229.30<br>c. 10yr.\$146.17 | a. 3yr. \$28.34<br>b. 5yr. \$19.11<br>c. 10 yr.\$12.18 |
| <b>4</b> | <b>Maintain + Restore &amp; Enhance Landscaping</b><br>\$10 Million Capital Investment   | \$126.00     | \$198.84                      | a. 3yr. \$839.65<br>b. 5yr. \$503.79<br>c. 10yr.\$251.90 | a. 3yr.\$1,038.49<br>b. 5yr. \$702.63<br>c. 10yr.\$450.73 | a. 3yr. \$912.49<br>b. 5yr. \$576.63<br>c. 10yr.\$324.73 | a. 3yr. \$76.04<br>b. 5yr.\$48.05<br>c. 10yr.\$27.06   |

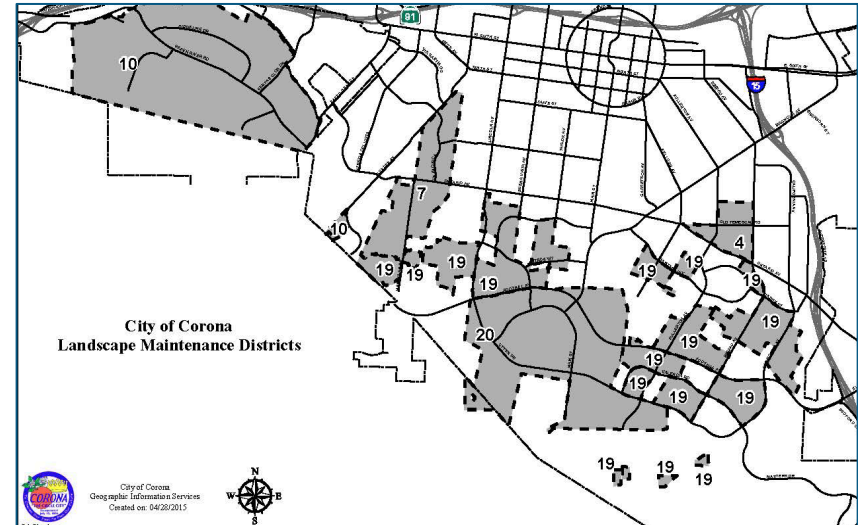
\*Rate phasing numbers are estimates and subject to change

# Rate Comparison

## Surrounding Zones

**Zone 19 Current Rate = \$126.00**

|                       | Zone           | Max Annual Rate per Benefit Unit |
|-----------------------|----------------|----------------------------------|
| <b>Current Rates</b>  | 7              | \$55.00                          |
|                       | 10             | \$648.53                         |
|                       | 20             | \$440.39                         |
| <b>Proposed Rates</b> | 19 (option 2)  | <b>\$180.31</b>                  |
|                       | 19 (option 3a) | <b>\$466.13</b>                  |
|                       | 19 (option 3b) | <b>\$355.30</b>                  |
|                       | 19 (option 3c) | <b>\$272.17</b>                  |
|                       | 19 (option 4a) | <b>\$1,038.49</b>                |
|                       | 19 (option 4b) | <b>\$702.63</b>                  |
|                       | 19 (option 4c) | <b>\$450.73</b>                  |



# Service Level Options

|      | <b>Option 1</b><br>Reduce Service Levels<br>No Rate Increase   | <b>Option 2</b><br>Maintain Current Service Levels<br>Baseline Rate Increase (24%)                                   | <b>RECOMMENDED</b><br><b>Option 3</b><br>Maintain Service Levels + Restore Landscaping<br>Baseline Rate Increase + \$3.3M Investment  | <b>Option 4</b><br>Maintain Service Levels + Restore & Enhance Landscaping<br>Baseline Rate Increase + \$10M Investment  |
|------|--|--|---|--|
| Pros | <ul style="list-style-type: none"> <li>No additional costs</li> </ul>  | <ul style="list-style-type: none"> <li>Sustainable funding source</li> <li>Allows for ongoing maintenance</li> </ul> | <ul style="list-style-type: none"> <li>Sustainable funding source</li> <li>Allows for ongoing maintenance</li> <li>Restores missing landscape</li> <li>Improves aesthetics</li> </ul> | <ul style="list-style-type: none"> <li>Sustainable funding source</li> <li>Allows for ongoing maintenance</li> <li>Restores missing landscape</li> <li>Environmentally friendly</li> </ul> |
| Cons | <ul style="list-style-type: none"> <li>Deterioration of landscape aesthetics</li> <li>Increase in resident complaints</li> <li>Increases inequity between zones</li> </ul> | <ul style="list-style-type: none"> <li>Increased cost</li> <li>Does not replace missing landscaping</li> </ul>       | <ul style="list-style-type: none"> <li>Increased cost</li> </ul>  | <ul style="list-style-type: none"> <li>Increased cost</li> <li>Significant investment</li> </ul>   |

**DISCUSSION**

# ADDITIONAL CONSIDERATIONS

Adding Escalators in Healthy Zones  
& Expanding Maintenance Districts



# Adding Escalators in Healthy Zones

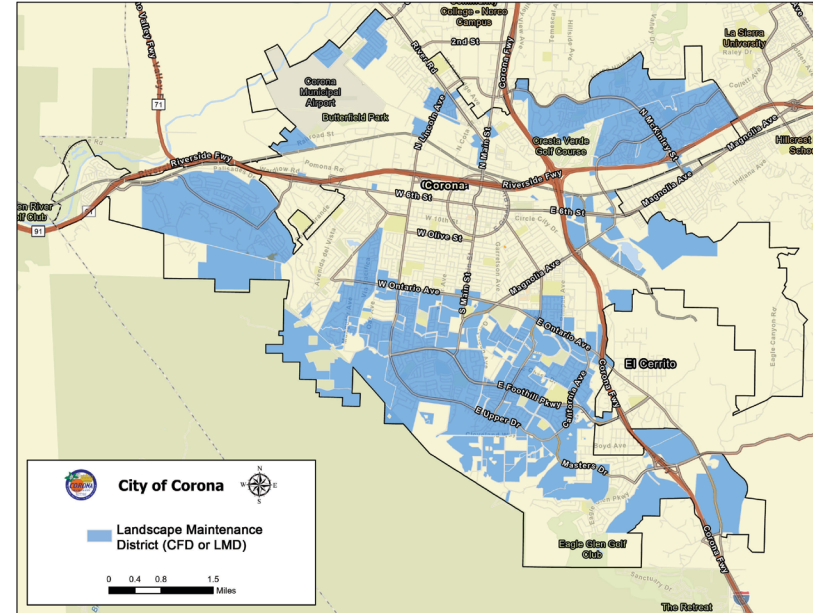
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| 18   | 360                | \$100.00          | No                |
| 19   | 3,690              | \$126.00          | No                |
| 20   | <b>2,574</b>       | <b>\$440.39</b>   | <b>2% or CPI*</b> |

■ Financially Healthy 
 ■ Borderline 
 ■ Financial Trouble 
 \*Lesser of

- ▶ **Current Status:**
  - 8 LMD zones without an escalator
  
- ▶ **Challenge:**
  - Maintenance and labor costs increasing
  - New regulations will cause additional cost increases in the future
  
- ▶ **Question:**
  - Should the City pursue a Prop 218 election to add CPI in financially healthy zones that do not have an escalator?

# Creating New Maintenance Districts

- ▷ **Vision:** Transform the City into a cohesive looking space with a uniform identity and equitable landscaping standards.
- ▷ **Challenge:**
  - 20,400 parcels not covered by a maintenance district
  - No dedicated funding for improvements
  - Drawing accurate service areas with strong nexus between improvements and cost to obtain resident buy in and support
  - Difficult to create new districts
- ▷ **Question:** Should the City evaluate the feasibility of creating new maintenance districts in areas without an LMD in place?



# Additional Considerations

## Adding Escalators in LMD Zones

## Creating New Maintenance Districts

### Pros

- Ensures a sustainably funded model to address future challenges
- Avoids any reduction in services in the future
- Avoids excessive increases in the future to stabilize the fund

- Provides dedicated funding source for landscape services and improvements in non-LMD areas
- Helps create a uniform identity with equitable landscape standards throughout the City

### Cons

- Increased cost
- Considerable staff time required to carryout process

- Additional cost
- Considerable staff time required to carryout process

**DISCUSSION**

# Recommendations

## That the City Council:

1. Direct staff to prepare an interfund loan agreement for approval at a future council meeting to maintain current service level standards for Zone 19 in the short term.
2. Direct staff to begin community outreach for a Prop 218 election in Zone 19 and preferred service level standard for landscape areas.
3. Direct staff to prepare a financial analysis on adding escalators to LMD zones that are currently in good financial health and return to City Council for further direction.
4. Direct staff to prepare additional information on new potential maintenance districts, along with projected costs, to serve areas of the city currently without an LMD in place, and return to City Council for further direction.

# Questions?

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