



Staff Report

File #: 23-0352

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 LIGHTING MAINTENANCE DISTRICT NO. 84-1 FOR FISCAL YEAR 2024 AND TO DETACH CERTAIN TERRITORY FROM THE DISTRICT, APPROVING PRELIMINARY ENGINEER'S REPORT, AND PROVIDING NOTICE OF PUBLIC HEARING ON PROPOSED ASSESSMENTS.

EXECUTIVE SUMMARY:

Lighting Maintenance District No. 84-1 provides lighting maintenance and operating services for the streetlights, traffic signals, 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 and to detach certain territory from the District, 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. 2023-033, declaring intention to levy and collect assessments within Lighting Maintenance District No. 84-1 for Fiscal Year 2024 and to detach certain territory from the District, approving preliminary Engineer's Report, and providing notice of public hearing on proposed assessments.

BACKGROUND & HISTORY:

Lighting Maintenance District No. 84-1 ("LMD 84-1" or "District") 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 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. 2023-024, 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") for 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. The report also provides analyses 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 2024, 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 \$473,824. 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 street lights 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 2024 will be covered by a one-time contribution from the District's operating reserves. The current estimated operating reserve balance is \$869,235 as of June 30, 2023. Based on the Fiscal Year 2024 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 2024, 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 the Fiscal Year 2024. 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
\$2,609,807.31	\$2,022,117.07	(\$113,866.15)	(\$473,824.09)	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 2024, 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 2024 LMD 84-1 Preliminary Engineer's Report
2. Exhibit 2 - Resolution No. 2023-033