



Staff Report

File #: 24-0434

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 WITHIN ZONES 1, 2, 4, 6, 7, 10, 15, 17, 18, AND 19 OF LANDSCAPE MAINTENANCE DISTRICT NO. 84-2 FOR FISCAL YEAR 2025

EXECUTIVE SUMMARY:

This staff report asks the City Council to adopt Resolution No. 2024-037. Adoption of the recommended resolution is the last step of the annual proceedings for the levy and collection of the special assessment within Zones 1, 2, 4, 6, 7, 10, 15, 17, 18, and 19 of Landscape Maintenance District No. 84-2 for Fiscal Year 2025. The City Council will conduct a public hearing to give 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 landscaping and appurtenant facilities within the District, in accordance with the Streets and Highways Code.

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2023-059, confirming the diagram and assessment within Zones 1, 2, 4, 6, 7, 10, 15, 17, 18, and 19 of Landscape Maintenance District No. 84-2 for Fiscal Year 2025.

BACKGROUND & HISTORY:

Zones 1, 2, 4, 6, 7, 10, 15, 17, 18, and 19 of Landscape Maintenance District (LMD) 84-2 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 appurtenant facilities within the District's boundaries.

Each zone imposes a different assessment levy based on the benefit areas associated with that zone. 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. In order 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. 2024-014, 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. 2024-020, to declare the City's intention to levy and collect assessments within the District for Fiscal Year 2025, approve the preliminary Engineer's Report (the "Preliminary Report"), and 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, 2024.

Attached is the final Engineer's Report (the "Report") as it pertains to 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. The Report also provides an analysis 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 2025, it is projected that the assessment revenues will be sufficient to cover the operating costs for Zones 1, 7, 10, 14, and 19 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, 4, 6, 15, 17, and 18 during the same fiscal period. Most of 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 the Fiscal Year 2025, the estimated operating deficit in Zone 2 is \$23,213, 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 2 is \$60,839 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the reserve balance will be exhausted in approximately 3 years.

In the Fiscal Year 2025, the estimated operating deficit in Zone 4 is \$7,075, which will be covered by a one-time contribution from the capital reserve in the same zone. The current estimated reserve balance in Zone 4 is \$270,374 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the reserve balance will be exhausted in approximately 38 years.

In the Fiscal Year 2025, the estimated operating deficit in Zone 6 is \$42,053, 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 \$509,431 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the reserve balance will be exhausted in approximately 12 years.

In the Fiscal Year 2025, the estimated operating deficit in Zone 15 is \$933, which will be covered by a one-time contribution from the capital reserve in the same zone. The current estimated reserve balance in Zone 15 is \$134,246 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the reserve balance will be exhausted in approximately 144 years.

In Fiscal Year 2025, the estimated operating deficit in Zone 17 is \$2,846, which will be covered by a one-time contribution from the capital reserve in the same zone. The current estimated reserve balance in Zone 17 is \$25,258 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the reserve balance will be exhausted in approximately 9 years.

In Fiscal Year 2025, the estimated operating deficit in Zone 18 is \$8,904, which will be covered by a one-time contribution from the capital reserve in the same zone. The current estimated reserve balance in Zone 18 is \$72,702 as of June 30, 2024. Based on the Fiscal Year 2025 expenditure budget, the reserve balance will be exhausted in approximately 8 years.

Below is an overview of the District's estimated assessment revenues and proposed expenditures for the Fiscal Year 2025. 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	\$3,027.00	\$4,147.36	\$0.00	\$1,120.36	0.00%
Zone 2	\$104,298.00	\$80,875.44	(\$209.09)	(\$23,213.47)	0.00%
Zone 4	\$100,685.00	\$93,609.68	\$0.00	(\$7,075.32)	0.00%
Zone 6	\$356,518.00	\$314,465.15	\$0.00	(\$42,052.85)	0.00%
Zone 7	\$70,760.00	\$78,793.00	\$0.00	\$8,033.00	0.00%
Zone 10	\$1,671,867.00	\$2,139,262.93	\$0.00	\$467,395.93	0.00%
Zone 15	\$28,489.00	\$27,555.68	\$0.00	(\$933.32)	0.00%
Zone 17	\$24,956.00	\$22,110.00	\$0.00	(\$2,846.00)	0.00%
Zone 18	\$45,267.00	\$35,980.00	(\$382.80)	(\$8,904.20)	0.00%
Zone 19	\$426,046.00	\$465,444.00	(\$29,823.22)	\$69,221.22	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 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 84-2 Engineer's Report, as it pertains to the District.
2. Exhibit 2 - Resolution No. 2024-037