



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of June 24, 2025

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Glenn Dombeck, Public Works Director/City Engineer

SUBJECT: Landscaping and Lighting Assessment Districts (LLADs) – Hold Public Hearings for the City’s Five LLADs, Hold Public Hearing regarding Proposed Assessment Increase for the Victoria by the Bay LLAD, and Adopt Resolutions Confirming Diagrams and Assessments for the City’s five LLADs for Fiscal Year 2025/26

RECOMMENDATION ACTION:

City staff is recommending City Council take the following actions:

- 1) Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments and Ordering Levy of Assessments for Fiscal Year (FY) 2025/26 for the City of Hercules Landscaping and Lighting Assessment District No. 83-2 pursuant to the Landscaping and Lighting Act of 1972;
- 2) Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments and Ordering Levy of Assessments for FY 2025/26 for the City of Hercules LLAD 2002-2 (Hercules Village) pursuant to the Landscaping and Lighting Act of 1972;
- 3) Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments and Ordering Levy of Assessments for FY 2025/26 for the City of Hercules LLAD 2004-1 (Baywood) pursuant to the Landscaping and Lighting Act of 1972;
- 4) Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments and Ordering Levy of Assessments for FY 2025/26 for the City of

Hercules LLAD 2005-1 (Bayside) pursuant to the Landscaping and Lighting Act of 1972; and

5) Victoria by the Bay LLAD Action Items:

- a. Hold a Public Hearing to receive testimony regarding the proposed increase to the maximum assessment rate for the City of Hercules Landscaping and Lighting Assessment District No. 2002-1 (Victoria by the Bay LLAD) commencing with FY 2025/26;
- b. Prior to the conclusion of public testimony, request any remaining assessment ballots for the Victoria by the Bay LLAD be delivered to the City Clerk, close public testimony and declare the balloting period closed, and any ballots received after that time shall be considered invalid and not counted;
- c. Declare that the assessment ballots will be tabulated on June 24, 2025 outside City Council Chambers upon close of the balloting period and that any interested person may attend and watch the tabulation process;
- d. Announce the results of the ballot tabulation will be declared at the July 22, 2025 City Council meeting and this agenda item will be continued until that time;
- e. On July 22, 2025 adopt a Resolution declaring the results of the ballot tabulation regarding the proposed increase to the maximum assessment rate for the Victoria by the Bay LLAD commencing Fiscal Year 2025/26; and
- f. On July 22, 2025 adopt a Resolution Approving the Final Engineer's Report, Confirming Diagram and Assessments and Ordering Levy of Assessments for Fiscal Year 2025/26 for the Victoria by the Bay LLAD pursuant to the Landscaping and Lighting Act of 1972.

Please note that actions (e) and (f) above related to the Victoria by the Bay LLAD are proposed for action at the July 22, 2025 meeting and that staff recommendations may be adjusted depending on ballot results.

EXECUTIVE SUMMARY:

This Council Agenda item, which consists of holding the public hearings and confirming the Engineer's Reports and assessments for FY 2025/26, is the final step in the annual process to levy assessments for the City of Hercules (City) Landscaping and Lighting Assessment Districts (LLADs). Per the Preliminary Engineer's Reports which were previously approved by City Council on April 22nd, all five of the City's LLADs are proposed to be assessed at or below their respective authorized maximum assessment rates except the Victoria by the Bay LLAD, which is undergoing a Proposition 218 process to

increase its assessments. This proposed increase is needed to cure a financial structural deficit.

For the Victoria by the Bay LLAD, City Council will hold a Public Hearing this evening to receive testimony regarding the proposed assessment increase to the maximum assessment rate, accept assessments ballots until the conclusion of the public testimony portion of the Public Hearing, declare that the Victoria by the Bay LLAD assessment ballots will be tabulated on June 24, 2025 outside City Council Chambers upon conclusion of the public testimony, continue the agenda item to the July 22, 2025 City Council meeting at which time the results of the ballot tabulation will be declared, and the Victoria by the Bay LLAD Final Engineer's Report and assessments for FY 2025/26 will be approved in accordance with the results of the ballot tabulation.

BACKGROUND:

The City annually levies and collects special assessments to maintain certain improvements within the City's five LLADs. The LLADs provide for well-maintained, attractive landscaping and serviceable streetlighting along public streets as well as fire breaks adjacent to open space. They also provide for the upkeep of playgrounds, fields, park furniture, tennis courts, graffiti abatement, lighting, landscaping, water features, and trails in City parks. The expenses associated with the maintenance of these LLADs include labor, material, equipment, utilities, repairs, and administration.

Each LLAD provides continued maintenance, servicing, administration, and operations of various landscaping and lighting improvements and other improvements benefitting parcels within each LLAD. Each property is assessed only for the cost of the improvements from which benefit is received. City Council has followed a multi-step Council meeting process each year, including the preparation of annual Engineer's Reports, to approve the levy of assessments on parcels within each respective LLAD in accordance with the Landscaping and Lighting Act of 1972. The Victoria by the Bay LLAD is experiencing an operating and cumulative deficit, which is currently being covered by a de facto loan from the General Fund and needs to be addressed as part of the FY 2025/26 LLAD annual approval process.

Findings from 5-year financial projections for the City's five LLADs were presented to City Council on May 23, 2023 for review. In short, the 5-year financial projections showed that the operating budgets for LLAD No. 83-2 (comprised of eleven Benefit Zones), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside) are trending positively through FY 2027-28. This was in part due to successful Proposition 218 proceedings conducted between FY 2017/18 to FY 2021/22 that resulted in increased assessments for six (6) Benefit Zones of LLAD No. 83-2. The Victoria by the Bay LLAD and Hercules Village Landscaping and Lighting Assessment District No. 2002-2 are currently experiencing annual operating deficits primarily due to the need for higher-level tree pruning work, the need for increased irrigation watering due to climate change, and East Bay Municipal

Utility District water rate increases which have far exceeded the maximum allowable increase to the annual LLAD assessments, which is based on the published Consumer Price Index (CPI).

In addition to the 5-year financial projections, an independent evaluation of the Victoria by the Bay LLAD presented to City Council in October 2023 confirmed that its funding shortfalls would not be self-correcting. In the fall of 2023 and spring of 2024, the City conducted Proposition 218 proceedings to increase assessments in the Victoria by the Bay LLAD. However, property owners in the district did not approve the proposed increases, with votes of 77% to 23% in the fall of 2023 and 70.3% to 29.7% in the spring of 2024 respectively. Since then, the Victoria by the Bay LLAD has incurred another year of operating deficit, bringing the projected beginning FY 2025/26 cumulative deficit to approximately \$700,000.

On November 12, 2024, City Council adopted a resolution to add a Landscaping and Lighting Program Coordinator (LLAD Coordinator) position to the City's Classification Plan. The LLAD Coordinator will address growing demands within the City's five LLADs, which include extensive maintenance of parks, streetlighting, open space, and the urban forest. The position will centralize oversight of landscape and streetlight contracts, respond to citizen requests, manage tree and sidewalk issues, and support fire risk reduction in open space areas. By reallocating responsibilities from existing staff, the new role is expected to be cost-neutral for most LLADs, except LLAD No. 83-2 Zone 10 – Citywide Parks, which will see a \$70,000 increase to enhance park maintenance per the City's Parks Master Plan. The costs for the LLAD Coordinator position have been included in the FY 2025/26 budgets within the Engineer's Reports.

Given that all five of the City LLADs should be self-funded through LLAD assessments, balancing the operating budget and eliminating the fund deficit for the Victoria by the Bay LLAD requires either increasing assessment revenues or cutting cost by reducing levels of service. On March 11, 2025, City Council adopted resolutions initiating the FY 2025/26 annual approval process for the City's five LLADs and authorized Proposition 218 proceedings to notice and ballot property owners within the Victoria by the Bay LLAD again to approve an assessment increase beginning in FY 2025/26 of \$50 annually over a 10-year period (\$500 total). This proposed increase will be in addition to the annual escalator equal to the change in CPI that is already in place for the Victoria by the Bay LLAD. Commencing FY 2035/36, the Victoria by the Bay LLAD annual assessments will increase by CPI only as they do now. If the proposed assessment increase is approved by the Victoria by the Bay LLAD property owners, it is projected that the cumulative deficit will be paid back in 15 years. If the assessment increase is not approved by Victoria by the Bay LLAD property owners, cost cutting measures for the in-tract residential parkway strips will be implemented as soon as July 1, 2025, upon City Council direction.

On April 22, 2025, City Council completed the second required Council action by adopting resolutions preliminarily approving the LLAD Engineer's Reports, declaring the City Council's intention to levy and collect assessments for FY 2025/25 and setting a public hearing for June 24, 2025 for each LLAD. On May 8, 2025, notices and ballots were mailed to all affected property owners in the Victoria by the Bay LLAD, in accordance with Proposition 218, with instructions that ballots must be returned by mail by 5:00 PM on June 24, 2025, or in person by the conclusion of public testimony of the Public Hearing to be held at the June 24, 2025 City Council meeting.

Ballots returned to the City will be tabulated outside City Council Chambers upon conclusion of public testimony this evening. Any interested parties may observe the tabulation. If a majority of ballots returned do not oppose the proposed assessment increase, City Council may approve the assessment increase. If a majority of ballots returned oppose the proposed assessment increase, the currently authorized Victoria by the Bay LLAD assessment will continue to be imposed and cost cutting measures will be implemented. Ballots are weighted according to the proportional financial obligation of the affected property. This means one vote for each dollar of assessment. The results of the ballot tabulation are anticipated to be reported to City Council on July 22, 2025.

ANALYSIS:

The attached Engineer's Reports provide that the maximum annual assessment per parcel may be increased each fiscal year by the prior year's increase in the CPI. The prior year's increase in the CPI was 2.69%. All LLADs/Zones are proposed to be assessed at their current maximum assessment rates in FY 2025/26, except for Benefit Zone Nos. 2 (Foxboro), 5A (Business Park), 5B (Commercial Properties), 8 (Trees and Flowers) of LLAD No. 83-2, Baywood Landscaping and Lighting Assessment District No. 2004-1, and the Victoria by the Bay LLAD.

An assessment increase is not needed for Benefit Zone Nos. 2 (Foxboro), 5B (Commercial Properties), and 8 (Trees and Flowers) to cover their respective FY 2025/26 budgets. The FY 2025/26 assessment rates for Benefit Zone 5A (Business Park) and Baywood Landscaping and Lighting Assessment District No. 2004-1 are proposed to be increased by the 2.69% CPI to cover the projected budget. However, the proposed assessment rates for Benefit Zone 5A (Business Park) and Baywood Landscaping and Lighting Assessment District No. 2004-1 are still below their respective FY 2025/26 maximum rates.

For the Victoria by the Bay LLAD, the City is proposing an assessment increase beginning in FY 2025/26 of \$50 annually over a 10-year period (\$500 total). This proposed increase will be in addition to the annual CPI escalator that is already in place for the Victoria by the Bay LLAD. Commencing FY 2035/36, the Victoria by the Bay LLAD annual assessments will increase by CPI only as they do now.

The current and proposed rates per Equivalent Residential Unit (ERU) for each LLAD and Zone are set forth in the table on the following page.

LLAD ZONES/DISTRICTS	CURRENT ASSESSMENT*		PROPOSED ASSESSMENT* FY 2025/26		DIFFERENCE	
	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)
Benefit Zone 1 (Cottage Ln, Coventry, and Olympian Hills)	\$87.23	\$153.04	\$89.58	\$157.16	\$2.35	\$4.12
Benefit Zone 1 (Other Parcels)	\$145.90	\$153.04	\$149.82	\$157.16	\$3.92	\$4.12
Benefit Zone 2 (Foxboro)	\$129.83	\$153.04	\$129.83	\$157.16	\$0.00	\$4.12
Benefit Zone 3&4 (Non-Residential Parcels)	\$95.20	\$153.04	\$97.76	\$157.16	\$2.56	\$4.12
Benefit Zone 3&4 (Residential Parcels)	\$141.24	\$153.04	\$143.80	\$157.16	\$2.56	\$4.12
Benefit Zone 5A (Business Park)	\$149.98	\$153.04	\$154.02	\$157.16	\$4.03	\$4.12
Benefit Zone 5B (Commercial Parcels)	\$140.07	\$153.04	\$140.07	\$157.16	\$0.00	\$4.12
Benefit Zone 5C (Misc. Parcels)	\$68.77	\$153.04	\$70.62	\$157.16	\$1.85	\$4.12
Benefit Zone 6 (Arbors Senior Housing Center)	\$36.00	\$153.04	\$36.97	\$157.16	\$0.97	\$4.12
Benefit Zone 6 (Westwood Duets)	\$198.19	\$153.04	\$201.11	\$157.16	\$2.92	\$4.12
Benefit Zone 6 (Other Condominiums)	\$120.04	\$153.04	\$122.18	\$157.16	\$2.14	\$4.12
Benefit Zone 7 (Bay Pointe, Bravo, Caprice)	\$88.10	\$153.04	\$90.47	\$157.16	\$2.37	\$4.12
Benefit Zone 7 (Other Parcels)	\$151.69	\$153.04	\$155.77	\$157.16	\$4.08	\$4.12
Benefit Zone 8 (Trees and Flowers)	\$128.40	\$153.04	\$128.40	\$157.16	\$0.00	\$4.12
Benefit Zone 9 (Country Run)	\$113.49	\$153.04	\$116.54	\$157.16	\$3.05	\$4.12
LLAD No. 2002-1 (Victoria by the Bay)	\$633.62	\$153.04	\$683.62	\$157.16	\$50.00	\$4.12
LLAD No. 2002-2 (Promenade)	\$776.86	\$153.04	\$797.75	\$157.16	\$20.89	\$4.12
LLAD No. 2004-1 (Baywood)	\$2,191.80	\$153.04	\$2,250.74	\$157.16	\$58.94	\$4.12
LLAD No. 2005-1 (Bayside)	\$283.08	\$153.04	\$290.70	\$157.16	\$7.62	\$4.12

*The rates shown above are for single-family homes, which equal one Equivalent Residential Unit. Condominiums and Apartment Units are assessed at 75% and 64% the amount of a single-family home respectively. The current assessment for the Victoria by the Bay LLAD reflects the authorized maximum assessment for FY 2025/26.

FISCAL IMPACT:

If assessments for the LLADs are not levied, there would be an estimated revenue loss of \$3.4 million for FY 2025/26 to fund the maintenance and operations associated with the City's public parks, landscaping, streetlighting, and open space areas. Adoption of the attached resolutions is the final required Council action to proceed with approval of FY 2025/26 LLAD assessments.

For FY 2025/26, Baywood LLAD No. 2004-1 will make an installment payment to repay a 10-year loan borrowed for a tree replacement project. Also, Benefit Zone Nos. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), 6 (Village Parkway) and 7 (Heights) associated with LLAD No. 83-2 will continue to repay their respective 10-year loans

borrowed to replace failing wooden streetlight poles with new energy-efficient LED streetlights on metal poles.

ATTACHMENTS:

1. Resolutions Confirming Diagrams and FY 2025/26 Assessments for LLAD No. 83-2, LLAD No. 2002-2 (Hercules Village), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside)
2. FY 2025/26 Final Engineer's Reports for LLAD No. 83-2, LLAD No. 2002-1 (Victoria by the Bay), LLAD No. 2002-2 (Hercules Village), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside)