



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 24, 2026

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

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

SUBJECT: Initiation of Fiscal Year 2026/27 Landscaping and Lighting Assessment Districts Proceedings

RECOMMENDED ACTION:

It is recommended by City staff that City Council adopt a resolution directing the filing of the Fiscal Year (FY) 2026/27 Engineer's Reports for the City of Hercules Landscaping and Lighting Assessment District No. 83-2, Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1, Hercules Village Landscaping and Lighting Assessment District No. 2002-2, Baywood Landscaping and Lighting Assessment District No. 2004-1, and Bayside Landscaping and Lighting Assessment District No. 2005-1 pursuant to the Landscaping and Lighting Act of 1972.

EXECUTIVE SUMMARY:

As required by the Landscaping and Lighting Act of 1972 (hereinafter "the Act"), the first step in the annual process to levy and collect assessments through the City's five (5) Landscaping and Lighting Assessment Districts (LLADs) is the preparation of an annual Engineer's Report for each LLAD. The Act requires the City adopt a resolution ordering the filing of the Engineer's Report and that the Engineer's Report identify the following:

- 1) The fiscal year for which the report applies.
- 2) Any proposed new improvements or any substantial changes in existing improvements.
- 3) Plans and specifications for the improvements.
- 4) An estimate of the cost of the improvements, including:

- a. The total cost for improvements to be made that year, being the total cost of constructing or installing all proposed improvements and of maintaining and servicing all existing and proposed improvements, including all incidental expenses. This may include a reserve which shall not exceed the estimated cost of maintenance and servicing through December 31st of the fiscal year, or whenever the City expects to receive its first installment of special assessments and tax collections from the County, whichever is later.
 - b. The amount of any surplus or deficit in the improvement fund to be carried over from a previous fiscal year.
 - c. The amount of any contributions to be made from sources other than assessments.
 - d. The net amount to be assessed upon assessable lands within the LLAD.
- 5) A diagram for the LLAD.
- 6) An assessment of the estimated cost of the improvements, which will do the following:
- a. State the net amount to be assessed upon assessable lands within the LLAD.
 - b. Describe each assessable lot or parcel of land within the LLAD.
 - c. Assess the net amount upon all assessable lots or parcels of land within the LLAD by apportioning that amount among the several lots or parcels in proportion to the estimated benefits to be received by each lot or parcel from the improvements.

As previously discussed with City Council, the Hercules Village Landscaping and Lighting Assessment District No. 2002-2 (Hercules Village LLAD) is facing an operating deficit. The financial challenges currently facing the Hercules Village LLAD are largely the result of significant external cost pressures that have increased over the past several years. Extreme drought conditions throughout California have required substantially higher levels of irrigation in order to preserve existing landscaping and prevent the loss of trees, turf, and other plant materials. These conditions have resulted in irrigation usage well above historical levels. During this same period, water rates charged by East Bay Municipal Utility District (EBMUD) have also increased significantly. The combined effect of increased water consumption and higher utility rates has been the primary driver of rising expenditures for the Hercules Village LLAD.

In addition, landscaping maintenance needs within the newer urbanist developments north of Interstate 80 have evolved as these communities have matured. Trees originally planted as part of the development have grown significantly in both height and width and now require routine professional pruning and maintenance. This work must be performed by specialized contract tree-trimming services and was not anticipated in the original scope of work when the Hercules LLAD was established. As a result, these services represent new, ongoing expenses that are not adequately covered by existing assessment revenues.

As a result of these factors, the Hercules Village LLAD has experienced annual operating deficits between \$40,000 to \$60,000 over the past several years. As part of this agenda item, City staff is seeking City Council approval to initiate Proposition 218 proceedings for an assessment increase in the Hercules Village LLAD. If the assessment increase is not approved, it is projected that the Hercules Village LLAD will incur a cumulative fund deficit of approximately \$50,000 by the end of Fiscal Year 2026/27.

Adoption of the recommended resolution directs the preparation of the Engineer's Report for each LLAD, which will be brought to City Council for preliminary approval at the April 28, 2026 City Council meeting, and authorizes Proposition 218 proceedings to mail a notice and ballot to property owners within the Hercules Village LLAD this spring.

BACKGROUND:

Landscaping and Lighting Assessment District No. 83-2

Landscaping and Lighting Assessment District No. 83-2 (hereinafter "LLAD No. 83-2") was formed on January 5, 1984 by Resolution No. 84-7. LLAD No. 83-2 originally consisted of four residential areas or zones: Zone 1 (Olympian Hills, Citation Homes West of San Pablo and Historic Homes), Zone 2 (Foxboro and Willow Glen Apartments), Zone 3 (Valley Oaks and Tiffany Ridge), and Zone 4 (Falcon Heights).

Later in 1984; Zones 3 and 4 were combined when connected by the Marsten Ranch development annexation; Zone 5 (commercial and undeveloped properties) was annexed to LLAD No. 83-2, Zone 6 (Village Parkway) a residential area was separated from Zone 5 upon development, and Zone 7 (Hanna Ranch) was annexed to LLAD No. 83-2.

In 1991, the existing neighborhoods known as Zone 8 (Trees and Flowers) and Zone 9 (Birds and Country Run) and Zone 10 (Citywide park and recreation facilities) were annexed to LLAD No. 83-2 following a mailed assessment ballot proceeding.

In 1997 the assessment methodology was revised to conform to the requirements of Article XIII D of the California Constitution (enacted by Proposition 218). An assessment ballot proceeding in June of 1997 confirmed LLAD No. 83-2. The June 1997 assessment ballot authorized the City to levy and collect assessments through FY 2002/03. The 1997 assessment ballot proceeding also authorized the City to increase assessments annually by the prior year's change in the Consumer Price Index (CPI) each fiscal year through FY 2002/03.

In FY 2003/04 the property owners approved an assessment increase commencing FY 2003/04 and approved the continuation of LLAD No. 83-2 through FY 2012/13. The 2003 assessment ballot proceeding also authorized the City to annually increase assessments by the prior year's change in the Consumer Price Index (CPI) each fiscal year through FY 2012/13.

In May of 2010, the property owners approved three (3) major changes to LLAD No. 83-2 commencing in FY 2010/11:

- 1) The removal of the assessment levy sunset date of FY 2012/13 and allowing LLAD No. 83-2 to continue in perpetuity.
- 2) Continuation of the authorization to increase assessments annually by the prior year's change in the Consumer Price Index (CPI).
- 3) Changes to the assessment methodology to recognize changes to developing areas to provide consistency throughout LLAD No. 83-2.

In FY 2016/17 the City conducted a Proposition 218 election to increase assessments in LLAD No. 83-2 Benefit Zones 1, 3&4, 5C, 6, and 7 for FY 2017/18. The assessment increase was approved by property owners in Benefit Zone 5C for FY 2017/18. In FY 2017/18 the City conducted a Proposition 218 election to increase assessments in LLAD No. 83-2 Benefit Zones 1, 3&4, 6, 7 and 9 for FY 2018/19. The assessment increase was approved by property owners in Benefit Zone 9 for FY 2018/19. In FY 2018/19 the City conducted a Proposition 218 election to increase assessments in LLAD No. 83-2 Benefit Zone 1 and the areas of Benefit Zone 7 excluding Bay Pointe, Bravo, and Caprice for FY 2019/20. The assessment increase was approved by property owners in Benefit Zone 1 and the areas of Benefit Zone 7 excluding Bay Pointe, Bravo, and Caprice within LLAD No. 83-2 for FY 2019/20.

Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1

The Victoria by the Bay development was required to install approximately 24 acres of landscaped medians, frontages and parks and 211 streetlights as a condition of approval of the development. The area was formerly part of Zone 5C in LLAD No. 83-2. The improvements in the Victoria by the Bay development were determined to be distinct from other improvements within existing LLAD No. 83-2 and to require a higher level of maintenance. Therefore, the development was detached from LLAD No. 83-2 and the Victoria by the Bay LLAD was formed on May 14, 2002 by Resolution No. 02-050 of the City Council pursuant to the Landscaping and Lighting Act of 1972.

In the fall of 2023 and spring of 2024, the City conducted Proposition 218 proceedings to increase assessments within the Victoria by the Bay LLAD. In both instances, property owners did not approve the proposed assessment increases. The City subsequently initiated a third Proposition 218 proceeding, in which property owners approved the proposed increase. As a result, the increased assessments have been implemented to stabilize the financial condition of the Victoria by the Bay LLAD.

Hercules Village Landscaping and Lighting Assessment District No. 2002-2

The Hercules Village development was required to extend Railroad Avenue, install approximately 50 acres of landscaped improvements, which include parkway strips, paseos, an enhanced pond and detention basins, 122 streetlights and provide slope and retaining wall maintenance adjacent to the City's existing pedestrian pathway as a condition for approval of the development. The area was formerly part of Zone 5C in LLAD

No. 83-2. The improvements in the Hercules Village development were determined to be distinct from other improvements within existing LLAD No. 83-2 and would require a higher level of maintenance. Therefore, the development was detached from LLAD No. 83-2 and Hercules Village Landscaping and Lighting Assessment District No. 2002-2 was formed on May 14, 2002 by Resolution No. 02-049 of the City Council pursuant to the Landscaping and Lighting Act of 1972.

Baywood Landscaping and Lighting Assessment District No. 2004-1

The Baywood development was required to extend Sycamore Avenue 60 feet, install approximately 4.5 acres of landscaped improvements, which include tree-lined streets, alleyways, and natural open spaces, and construct 37 streetlights as a condition for approval of the development. The area was formerly part of Zone 5C in LLAD No. 83-2. The improvements in the Baywood development were determined to be distinct from other improvements within existing LLAD No. 83-2 and would require a higher level of maintenance. Therefore, the development was detached from LLAD No. 83-2 and Baywood Landscaping and Lighting Assessment District No. 2004-1 was formed on April 13, 2004 by Resolution No. 04-034 of the City Council pursuant to the Landscaping and Lighting Act of 1972.

Bayside Landscaping and Street Lighting Assessment District No. 2005-1

The Bayside development was required to install a 0.67 acre neighborhood park and public street lights as a condition of approval of the development. The area was formerly part of Zone 5C in LLAD No. 83-2. The improvements in the Bayside development were determined to be distinct from other improvements within existing LLAD No. 83-2 and would require a higher level of maintenance. Therefore, the development was detached from LLAD No. 83-2 and Bayside Landscaping and Lighting Assessment District No. 2005-1 was formed on May 10, 2005 by Resolution No. 05-060 of the City Council pursuant to the Landscaping and Lighting Act of 1972.

ANALYSIS:

Based on preliminary analysis, it is estimated an assessment increase of approximately \$50 annually over an 8-year period (\$400 total) will be necessary to eliminate the operating deficit for the Hercules Village LLAD. This proposed increase is an estimate at this time and will be finalized with the preparation of the required Engineer's Report that is scheduled to be approved by City Council in April. Any approved increase would be in addition to the existing annual escalator tied to changes in the Consumer Price Index (CPI), which is already in place for the Hercules Village LLAD.

The schedule for the Hercules Village LLAD Proposition 218 proceedings will run concurrently with the annual approval process for all five of the City's LLADs. The remaining estimated schedule is as follows:

February 24, 2026: City Council adopts Resolution of Initiation for all LLADs.

April 28, 2026: City Council preliminarily approves the Engineer's Reports for all LLADs and adopts the Resolutions of Intention.

No Later than May 8, 2026: Mail required Proposition 218 notices and ballots to Hercules Village LLAD property owners (must occur a minimum of 45 days prior to public hearing).

June 23, 2026: City Council conducts public hearing for all LLADs, closes balloting period and conducts ballot tabulation for the Hercules Village LLAD, declares results of the ballot tabulation for the Hercules Village LLAD, and approves the Final Engineer's Reports and FY 2026/27 assessments for all LLADs.

FISCAL IMPACT:

If assessments for the LLADs are not levied, there would be an estimated revenue loss of \$3.6 million for FY 2026/27 to fund the maintenance and operations associated with the City's public parks, landscaping, streetlighting, and open space areas.

ATTACHMENTS:

Attachment 1 Resolution initiating FY 2026/27 LLAD proceedings and directing the filing of the Engineer's Reports