



## STAFF REPORT TO THE CITY COUNCIL

**DATE:** Regular Meeting of February 14, 2023

**TO:** Mayor and Members of the City Council

**VIA:** Dante Hall, City Manager

**SUBMITTED BY:** Michael Roberts, Public Works Director/City Engineer

**SUBJECT:** Initiation of FY 2023/24 Landscape and Lighting Assessment District Proceedings, Completion of Capital Replacement Analysis, Preparation of 5-Year Financial Projections, and Authorization to Execute Agreement in the amount of \$34,380 with Francisco and Associates including an Appropriation of \$9,930 to complete said Analysis and Projection

### RECOMMENDATION ACTION:

It is recommended by City staff that City Council: 1) Adopt a Resolution initiating the Fiscal Year (FY) 2023/24 Landscaping and Lighting Assessment District proceedings and directing the filing of the Engineer's Reports for 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 ("LLAD" or collectively "LLADs") pursuant to the Landscaping and Lighting Act of 1972, and 2) Adopt a Resolution authorizing the City Manager to execute an agreement with Francisco & Associates for FY 2023/24 LLAD Administration, completion of Capital Replacement Analysis, and preparation of a 5-Year Financial Projection in the amount of \$34,380 including an appropriation of \$9,930 for the completion of said Analysis and Projection.

### BACKGROUND:

The City of Hercules annually levies and collects special assessments to maintain certain improvements within the City's five established Landscaping and Lighting Assessment Districts (LLADs). Each LLAD provides and ensures continued maintenance, servicing,

administration and operations of various landscape and lighting improvements and other facilities benefitting parcels within each LLAD. Each property is assessed only for the cost of the improvements from which benefit is received.

The five established Landscaping and Lighting Assessment Districts in Hercules 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 includes labor, material, equipment, utilities, repairs and administration.

Pursuant to the California Streets and Highways Code, commencing with Section 22500, (also known as the Lighting and Landscape Act of 1972) (“Act”), the City Council must annually approve Engineer’s Reports for the LLADs in order to continue to levy assessments that fund this maintenance work. This process involves the development of the ensuing fiscal year’s LLADs budgets, a review of all parcel changes from the previous fiscal year, preparation of the Engineer’s Reports, and submittal of the assessments to the County Auditor in their required electronic format. City staff is recommending utilizing the services of Francisco and Associates (F&A) to administer the City’s LLADs for FY 2023/24 as they have successfully served as the City’s LLAD District Engineer for over a decade and the LLAD Districts are very complex .

Extreme drought conditions over the last several years have required a significant increase in irrigation watering to keep landscaping maintained by the LLADs alive and healthy. Additionally, there have been large increases in East Bay Municipal Utility District (“EBMUD”) water rates. From FY 2017/18 to date, EBMUD’s water rates have increased 46% as compared to an allowable assessment rate increase of 22% for the LLADs. As a result, water costs have increased dramatically for LLAD maintained areas, especially areas with large amounts of turf, which has a very high water demand.

Additionally, trees in the new urbanist developments north of I-80 have matured, both in height and width, such that they now need to be pruned regularly by a contract tree trimming company. This is new, additional work beyond the scope of the current landscaping contract and is an additional cost to the LLADs. Victoria by the Bay LLAD No. 2002-1 has been most impacted by these increases in cost and is now in a deficit.

At the May 10, 2022 City Council meeting, City Council directed City staff to further evaluate how these emerging costs are impacting the LLADs and to bring this item back to City Council for an in-depth discussion, including recommendations that may be implemented during the FY 2023-24 LLAD approval process. To assist with this evaluation, City staff is also recommending F&A perform a Capital Replacement Analysis and prepare a 5-Year Financial Projection through FY 2027-28 for the LLADs. The Capital Replacement Analysis will be performed using best available data, including elements

from the City's proposed Parks Master Plan, to establish the appropriate reserve levels for each LLAD. The 5-Year Financial Projection will be used to evaluate the long-term financial health of the LLADs by forecasting revenues and expenditures including information gained from the Capital Replacement Analysis. The findings of the Capital Replacement Analysis and the 5-Year Financial Projection will be presented to City Council at a subsequent City Council meeting in April 2023. At this Council meeting, City staff may also provide recommendations to conduct Proposition 218 proceedings to increase LLAD assessments commencing with FY 2023-24.

### **ANALYSIS:**

Due to significant cost increases and the need for additional maintenance, certain LLADs are not generating sufficient assessment revenues and are experiencing or are expected to experience funding shortfalls in the short-term. City staff is evaluating all options to alleviate these funding shortfalls, including but not limited to, conducting Proposition 218 proceedings to increase LLAD assessments, and reducing levels of service if necessary. Performing a Capital Replacement Analysis and preparing a 5-Year Financial Projection for the City's LLADs will provide a comprehensive picture that will assist City staff in its decision-making process going forward. If adjustments are not made, some LLADs are expected to go further into deficit and will require additional City funding from other sources to continue the same service levels.

Adoption of the resolutions attached to this agenda item will initiate the process to approve FY 2023-24 assessments for the LLADs and authorize the City manager to execute an agreement with F&A to assist the City with the FY 2023-24 LLAD administration, including performing a Capital Replacement Analysis and preparing a 5-Year Financial Projection. The next step in this year's process will be to present the findings from the Capital Replacement Analysis and 5-Year Financial Projection to City Council in April 2023.

### **FISCAL IMPACT:**

If assessments for the LLADs are not levied, there would be an estimated revenue loss of \$3.2 million for FY 2023-24 to fund the maintenance and operations associated with the City's public parks, landscaping, streetlighting, and open space areas. Adoption of the first attached resolution (Attachment 1) is the first required Council action to proceed with approval of FY 2023-24 LLAD assessments.

Adoption of the second attached resolution (Attachment 2) will authorize the City manager to execute an agreement with F&A and appropriate additional funding in the current fiscal year's budget to complete this project as follows:

<b>Funding Source Description</b>	<b>City Account</b>	<b>February 7, 2023* F&amp;A Proposal</b>	<b>Appropriation from Current Budget</b>
LLAD No. 83-2 (Benefit Zone 1)	232-5411-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 2)	233-5412-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 3 & 4)	234-5413-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 5A)	235-5414-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 5B)	236-5415-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 5C)	237-5416-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 6)	238-5417-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 7)	239-5418-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 8)	251-5419-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 9)	253-5420-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 10)	220-5410-611.40-00	\$3,438	\$993
LLAD No. 2002-1 (Victoria by the Bay)	221-5421-611.40-00	\$5,730	\$1,655
LLAD No. 2002-2 (Promenade)	222-5422-611.40-00	\$3,438	\$993
LLAD No. 2004-1 (Baywood)	223-5423-611.40-00	\$3,438	\$993
LLAD No. 2005-1 (Bayside)	224-5424-611.40-00	\$3,438	\$993
LLADs (Arterial/Major Roadways)	225-5425-611.40-00	<u>\$3,438</u>	<u>\$993</u>
	Totals:	\$34,380	\$9,930

\*Includes reimbursable expenses not-to-exceed \$500.

#### **ATTACHMENTS:**

- Attachment 1 Resolution initiating FY 2023/24 LLAD proceedings and directing the filing of the Engineer's Reports
- Attachment 2 Resolution authorizing City Manager to execute agreement with F&A
- Attachment 3 F&A Agreement including Proposal