



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of April 28, 2026

TO: Mayor and Members of the City Council

VIA: Patrick Tang, Interim City Manager

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

SUBJECT: Landscaping and Lighting Assessment Districts - Approval of Preliminary Engineer's Reports and Declaring the City Council's Intention to Levy and Collect Assessments for Fiscal Year 2026/27

RECOMMENDED ACTION:

City staff is recommending City Council adopt the following resolutions:

- a. A resolution for the preliminary approval of the Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year 2026/27 within the Citywide Landscaping and Lighting Assessment District No. 83-2, which is comprised of Benefit Zone Nos. 1, 2, 3&4, 5A, 5B, 5C, 6, 7, 8, 9, and 10, and setting a public hearing for June 23, 2026;
- b. A resolution for the preliminary approval of the Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year 2026/27 within the Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1 and setting a public hearing for June 23, 2026;
- c. A resolution for the preliminary approval of the Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year 2026/27 within the Hercules Village Landscaping and Lighting Assessment District No. 2002-2 and setting a public hearing for June 23, 2026;
- d. A resolution for the preliminary approval of the Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year 2026/27 within the Baywood Landscaping and Lighting Assessment District No. 2004-1 and setting a public hearing for June 23, 2026; and

e. A resolution for the preliminary approval of the Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year 2026/27 within the Bayside Landscaping and Lighting Assessment District No. 2005-1 and setting a public hearing for June 23, 2026.

EXECUTIVE SUMMARY:

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

On February 24, 2026, City Council completed the first required Council action in the multi-step LLAD process by adopting resolutions initiating the FY 2026/27 annual approval for the City's five LLADs. The second required Council action is approving the Preliminary Engineer's Reports and setting a public hearing for the LLADs which is the subject of this Council agenda item. Upon adoption of the attached resolutions this evening, a public hearing will be conducted on June 23, 2026 for all five LLADs. On June 23, 2026, City Council will be asked to hold a public hearing and approve the FY 2026/27 Final Engineer's Reports and assessments for all five LLADs.

BACKGROUND:

The five LLADs in the City 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.

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. Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1 (Victoria by the Bay LLAD) and Hercules Village Landscaping and Lighting Assessment District No. 2002-2 (Hercules Village LLAD) were confirmed to be 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 June 2025, the Victoria by the Bay LLAD property owners approved an assessment increase beginning in FY 2025/26 of \$50 annually over a 10-year period (\$500 total). The approved assessment increase is in addition to the annual escalator equal to the change in CPI that is already in place for the Victoria by the Bay LLAD.

In February 2026, City staff presented the financial condition of the Hercules Village LLAD, including the structural operating deficits affecting the district and the need to consider conducting Proposition 218 proceedings to approve an assessment increase. Following the presentation, City Council directed staff to return with additional information for Council consideration at a subsequent regular meeting in March 2026.

In March 2026, City Council was provided with the additional information for consideration and directed staff to postpone Proposition 218 proceedings for the Hercules Village LLAD until Fiscal Year 2027/28. The additional time will allow staff to conduct public outreach with affected property owners and to confirm updated costs associated with the renewal of the City's landscape maintenance contract, ensuring that the forthcoming assessment proposal more accurately reflects updated service levels and actual operating costs.

ANALYSIS:

The Preliminary 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 2.48%. All LLADs/Zones are proposed to be assessed at their current maximum assessment rates in FY 2026/27, except for Benefit Zone Nos. 2 (Foxboro), 5A (Business Park), 5B (Commercial Properties), 8 (Trees and Flowers) of LLAD No. 83-2 and Baywood Landscaping and Lighting Assessment District No. 2004-1 (Baywood LLAD).

An assessment increase is not required for Benefit Zone Nos. 2 (Foxboro), 5B (Commercial Properties), and 8 (Trees and Flowers) to cover their respective FY 2026/27 budgets. The proposed FY 2026/27 assessment rates for Benefit Zone 5A (Business Park) and the Baywood LLAD reflect a 2.48% increase from last year based on the calculated CPI to cover the projected budget. However, the proposed assessment rates for Benefit Zone 5A (Business Park) and Baywood LLAD remain below their respective maximum authorized rates for FY 2026/27.

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 2026/27		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)	\$89.58	\$157.16	\$91.79	\$161.05	\$2.22	\$3.89
Benefit Zone 1 (Other Parcels)	\$149.82	\$157.16	\$153.53	\$161.05	\$3.71	\$3.89
Benefit Zone 2 (Foxboro)	\$129.83	\$157.16	\$129.83	\$161.05	\$0.00	\$3.89
Benefit Zone 3&4 (Non-Residential Parcels)	\$97.76	\$157.16	\$100.18	\$161.05	\$2.42	\$3.89
Benefit Zone 3&4 (Residential Parcels)	\$143.80	\$157.16	\$146.22	\$161.05	\$2.42	\$3.89
Benefit Zone 5A (Business Park)	\$154.02	\$157.16	\$157.83	\$161.05	\$3.81	\$3.89
Benefit Zone 5B (Commercial Parcels)	\$140.07	\$157.16	\$140.07	\$161.05	\$0.00	\$3.89
Benefit Zone 5C (Misc. Parcels)	\$70.62	\$157.16	\$72.37	\$161.05	\$1.75	\$3.89
Benefit Zone 6 (Arbors Senior Housing Center)	\$36.97	\$157.16	\$37.89	\$161.05	\$0.92	\$3.89
Benefit Zone 6 (Westwood Duets)	\$201.11	\$157.16	\$203.88	\$161.05	\$2.77	\$3.89
Benefit Zone 6 (Other Condominiums)	\$122.18	\$157.16	\$124.20	\$161.05	\$2.02	\$3.89
Benefit Zone 7 (Bay Pointe, Bravo, Caprice)	\$90.47	\$157.16	\$92.71	\$161.05	\$2.24	\$3.89
Benefit Zone 7 (Other Parcels)	\$155.77	\$157.16	\$159.63	\$161.05	\$3.86	\$3.89
Benefit Zone 8 (Trees and Flowers)	\$128.40	\$157.16	\$128.40	\$161.05	\$0.00	\$3.89
Benefit Zone 9 (Country Run)	\$116.54	\$157.16	\$119.43	\$161.05	\$2.89	\$3.89
LLAD No. 2002-1 (Victoria by the Bay)	\$683.62	\$157.16	\$750.55	\$161.05	\$66.93	\$3.89
LLAD No. 2002-2 (Promenade)	\$797.75	\$157.16	\$817.51	\$161.05	\$19.76	\$3.89
LLAD No. 2004-1 (Baywood)	\$2,250.74	\$157.16	\$2,306.49	\$161.05	\$55.75	\$3.89
LLAD No. 2005-1 (Bayside)	\$290.70	\$157.16	\$297.90	\$161.05	\$7.20	\$3.89

*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.

Remaining Schedule for the LLAD Annual Approval Process

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

June 23, 2026: City Council conducts public hearing for all LLADs and approves the Final Engineer's Reports and FY 2026/27 assessments for all LLADs.

August 10, 2026: *Deadline to submit the FY 2026/27 LLAD assessments to the County.*

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. Adoption of the attached resolutions is the second required Council action to proceed with approval of FY 2026/27 LLAD assessments. The estimated annual revenues and expenditures outlined in the engineers' report will be incorporated into the City's annual budget for the upcoming fiscal year, FY 2026/27.

For FY 2026/27, the Baywood LLAD will make an installment payment to repay a 10-year loan that was utilized to finance a tree replacement project. Furthermore, 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 fulfill their repayment obligation for their respective 10-year loans. These loans were designated for replacing failing wooden streetlight poles with new, energy-efficient LED streetlights mounted on metal poles.

ATTACHMENTS:

1. LLAD No. 83-2 (11 Benefit Zones) Resolution
2. LLAD No. 2002-1 (Victoria by the Bay) Resolution
3. LLAD No. 2002-2 (Hercules Village) Resolution
4. LLAD No. 2004-1 (Baywood) Resolution
5. LLAD No. 2005-1 (Bayside) Resolution
6. Preliminary Engineer's Reports