



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of March 26, 2019

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager
Mike Roberts, Public Works Director

SUBJECT: Update on Landscape & Lighting Assessment Districts and 2019/20 Annual Renewal

RECOMMENDED ACTION: Receive Report, Discuss, and Provide Direction, if any.

FISCAL IMPACT OF RECOMMENDATION: The regular annual renewal of Landscape & Lighting Assessment District assessments will result in a maximum increase in assessments in the amount of the consumer price index. This will not address those Zones in the Citywide District which have cumulative and annual operating deficits, beyond perhaps making a small contribution to reducing the annual deficits given the City's cost reduction strategies already put in place in those Zones. A more detailed fiscal review will be developed as part of the annual renewal process.

The cost of the normal annual renewal process is provided for in the budget for the Landscape & Lighting Assessment Districts, and for those Zones with operating deficits will contribute to those increasing. Any costs associated with a possible Prop 218 balloting in select Zones are not budgeted.

DISCUSSION:

On October 23, 2018, the City Council received a report on options for a path forward in regards to three Zones in the Citywide District which have continuing cumulative and/or operating deficits. The Council considered service reductions in Zones 1, 3& 4, and 6, (Staff Report attached as Attachment 1) and direction was given to implement a modified level of service reductions. These service reductions were shared with the impacted neighborhoods in a letter dated November 19, 2018, which is attached as Attachment 2.

Since that time, staff has implemented the proposed service reductions, though PG & E has not yet made the change in the rate structure, so some of the anticipated savings have not yet been realized.

As directed, staff also reached out the Homeowners Associations (HOAs) in Zones 1 and 6 to discuss the possibility of the HOAs participating financially to eliminate the service reductions. In Zone 1, staff and the Mayor met with the Board of the Hercules by the Bay HOA, and then the Hercules by the Bay HOA endeavored to get the HOAs in Zone 1 and together to discuss options.

The Hercules by the Bay HOA President advised that that meeting was not well attended and there was little interest from those there to participate financially.

In the case of Zone 6, the Village Parkway area, the letters to the five (5) HOAs in that area generated a better response, with three of the HOA's expressing interest initially in perhaps funding the cost of current services or some part. Those HOAs were Westwood Duets, Forest Park, and Wildwood, with Glenwood, and Devonwood not responding. The Westwood Duets has also agreed to assume responsibility for the streetlights on their private streets which will eliminate most street lighting from the L&LAD. That transfer request is being processed by PG & E, and is not in effect yet. In addition, staff has met with the Forest Park HOA about their request to have the City abandon the public street portion of Forest Run, which we are pursuing, and which would result in that HOA assuming responsibility for the streetlights on Forest Run. That would leave the only L&LAD funded streetlights as being those on the Village Loop and Hercules Avenue.

It is anticipated that the normal annual renewal for Zone 6 or the Village Parkway area will assume that the transfer of at least the Westwood Duets streetlights have been completed by July 1, 2019.

March is typically when we kick-off the annual L&LAD renewal process to have the process done for the new assessments to be included on the 2019/20 tax bills.

Below is a FY 2019-20 schedule for the LLAD assuming no Proposition 218 effort to increase assessments in any Districts or Zones is contemplated, which means we are just applying a CPI type increase:

- March thru April 2019 – Prepare Preliminary Engineer's Report and determine FY 2019-20 assessment rates
- **April 23, 2019 – City Council Resolution of Initiation/FAI Contract Approval**
- May 3, 2019 – FAI to provide City staff with Council Documents and Preliminary Engineer's Reports
- **May 28, 2019 – City Council Resolution of Intention**
- June 7, 2019 – FAI to provide City staff with Council Documents and Final Engineer's Reports for Public Hearing
- **June 25, 2019 – City Council Public Hearing and approve FY 2019-20 Final Engineer's Report/Assessments**

Below is a schedule that is probably the most realistic to meet if the City decides to propose increased assessments in the deficit Zones for FY 2019-20, if so desired:

- March thru April 2019 – Perform assessment rates analysis, obtain approval from City Council and Ad-hoc committee as necessary, and conduct Public Outreach efforts
- **April 9, 2019 – City Council Resolution of Initiation/FAI Contract Approval**
- April 10, 2019 – FAI to provide City staff with Council Documents and Preliminary Engineer's Reports
- **April 23, 2019 – City Council Resolution of Intention**

- May 9, 2019 – Mail Notices/Ballots (minimum of 45 days prior to the PH)
- June 4, 2019 – FAI to provide City staff with Council Documents and Final Engineer's Reports for Public Hearing
- **June 25, 2019 – City Council Public Hearing**
- June 26, 2019 – Tabulate Ballots
- June 28, 2019 – FAI to provide City staff with Council Documents and Final Engineer's Reports for Continued Public Hearing (includes assessment rates per results of Ballot Tabulation)
- **July 9, 2019 – City Council Continued Public Hearing (Declare Results of Election) and approve FY 2019-20 Final Engineer's Report/Assessments**

As noted under the fiscal impact section, the cost of the regular renewal process is budgeted. The cost of undertaking a Proposition 218 process is not a budgeted cost and the costs by Zone are illustrated below:

Benefit Zone	No. of Parcels	Notice/Ballot Preparation & Public Outreach Review	Duplication/Mailing Services/ Postage/Ballot Tabulation	Totals
Zone 1	915	\$1,300	\$3,660	\$4,960
Zone 3 & 4	832	\$800	\$3,328	\$4,128
Zone 6	962	\$1,300	\$3,848	\$5,148
Zone 7	<u>563</u>	<u>\$600</u>	<u>\$2,252</u>	<u>\$2,852</u>
	3,272	\$4,000	\$13,088	\$17,088

That does not include any extraordinary public outreach and education costs. These costs are also typically recovered over time from the Zones in which the City would be balloting.

Staff has also been exploring the idea, based upon feedback from the community and Council Members, of the possibility of more clearly defining that the increased assessments would be for two types of costs. First, to address any current annual operating deficits, which would continue into the future as long as necessary, and hopefully after this adjustment, would not require increases beyond the annual CPI. The second component would be for any cumulative deficit and/or the replacement of streetlights, which has been proposed to finance over 10 years. At the end of ten years, this component would sunset.

The City Council is requested to provide direction as to the process to be initiated for the FY 2019/20 annual renewal process.

ATTACHMENTS:

1. October 23, 2018 Staff Report
2. Service Reductions Notification Letter

Financial Impact

Description:

Funding Source:

Budget Recap:

Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change:	Yes <input type="checkbox"/> No <input type="checkbox"/>		