



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of May 14, 2019

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager
Mike Roberts, 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 2019/20

RECOMMENDED ACTIONS:

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 (FY) 2019/20 within the City of Hercules for 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 July 9, 2019;
- b. A resolution for the preliminary approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2019/20 within the City of Hercules Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1 (District) and setting a public hearing for July 9, 2019;
- c. A resolution for the preliminary approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2019/20 within the City of Hercules for Hercules Village Landscaping and Lighting Assessment District No. 2002-2 (District) and setting a public hearing for July 9, 2019;
- d. A resolution for the preliminary approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2019/20 within the City of Hercules for Baywood Landscaping and Lighting Assessment District No. 2004-1 (District) and setting a public hearing for July 9, 2019; and
- e. A resolution for the preliminary approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2019/20

within the City of Hercules for Bayside Landscaping and Lighting Assessment District No. 2005-1 and setting a public hearing for July 9, 2019.

FISCAL IMPACT OF RECOMMENDATION:

If assessments are not levied as proposed, a deficit balance could result and there would be a loss of revenue of approximately \$2.6 million for FY 2019/20.

DISCUSSION:

Hercules Lighting and Landscaping Assessment Districts Overview and Annual Levying Process

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 district provides and ensures continued maintenance, servicing, administration and operations of various landscape and lighting improvements and other facilities located throughout each District. 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 street lighting 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 districts includes labor, material, equipment, utilities, repairs and administration. In accordance with the Lighting and Landscaping Act of 1972, the City Council has followed a three-step Council meeting process each year to levy the parcel assessments that fund this maintenance.

The Council completed the first step on April 9, 2019 by adopting a resolution ordering the District Engineer to prepare the Preliminary Engineer's Report for each District. The second step in levying the annual parcel assessments for each District, which consists of approving the Preliminary Engineer's Reports and scheduling a public hearing and is the subject of this Council Agenda item.

Four of the five Districts (Victoria By the Bay, Promenade, Baywood, and Bayside) are fiscally sound with the current assessment levels levied on the respective properties. However, Citywide District No. 83-2 has neighborhood Zones with deficits due to insufficient assessment rates, resulting in funding shortfalls in Zones No. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), and 6 (Village Parkway).

In addition, there are approximately 400 remaining wooden street light poles located in Citywide District 83-2, Zones Nos. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), 6 (Village Parkway), and Zone No. 7 (Heights) that must be replaced given their deteriorated condition. The City is proposing to replace these street lights with LED lighting on metal poles, which will result in an on-going energy and operational cost savings each year. To fund the replacement of these wooden street light poles, it is proposed that the maximum assessment rates for Zone No. 1 (Hercules by the Bay) and the areas of Zone No. 7 (Heights) excluding the Bay Pointe, Bravo, and Caprice developments, would need to

be increased sufficiently to pay for the street light pole replacement costs over a 10-year period. Certain areas within Zone No. 1 that are part of a Homeowner's Association (HOA) do not benefit from the wood street light pole replacements as much as the other areas within the Zone because they currently pay for their interior street lights through their HOA dues. Parcels meeting these criteria received a significant reduction in the proposed maximum assessment increase for the wood street light pole replacements and only pay for their pro-rata share of the wood street light pole replacements located along roads that provide egress/ingress to their development. These areas include Zone 1 (Olympian Hills, Cottage Lane, and Coventry).

At the March 26, 2019 City Council meeting, Council provided direction for City staff to proceed with a Proposition 218 balloting to increase the maximum rates in Zone Nos. 1 and 7 for FY 2019/20 as follows:

Zone 1

Assessment Increase No. 1 – The purpose of this increase is to eliminate the annual operating deficit at the current level of service. If a deteriorated wooden pole fails and is beyond reasonable repair, it will be removed and not replaced. If approved, this assessment increase would be in effect in perpetuity.

Assessment Increase No. 2 – The purpose of this increase is to eliminate the existing deficit in the Zone fund balance and also replace the deteriorated and failing existing wooden street light poles that have reached their useful life with cost-effective LED lighting on metal poles which will lower annual operating costs and provide street lighting long term. Assessment Increase No. 2 will only be considered for approval if Assessment Increase No. 1 above is approved. If approved, Assessment Increase No. 2 would be in effect for a period of 10 years and cease after FY 2028-29.

Zone 7

The purpose of this increase is to replace the deteriorated and failing existing wooden street light poles that have reached their useful life with cost-effective LED lighting on metal poles which will lower annual operating costs and provide street lighting long term. If approved, this assessment increase would be in effect for a period of 10 years and cease after FY 2028-29.

The proposed maximum assessment rate increases will require a balloting process in conformance with Proposition 218. The proposed process and remaining schedule for increasing and levying assessments for FY 2019/20, includes the following (Council meetings in bold):

- a. Resolution of Intention/Approval of Preliminary Engineer's Report – May 14, 2019**
- b. Mail Notice and Ballots to affected property owners – May 21, 2019
- c. Public Hearing – July 9, 2019**
- d. Tabulation of returned Ballots – July 10, 2019
- e. Public Hearing (Continued)/Approval of Final Engineer's Report – July 23, 2019**
- f. FY 2019/20 assessments are submitted to the County – August 10, 2019

Proper notice of the public hearing scheduled for July 9, 2019 will be given by publishing the Resolution of Intention in the newspaper ten days prior to the scheduled public hearing.

The City will be undertaking an informational and outreach effort regarding the proposed assessment increases in Citywide District 83-2, Zones 1 and 7 which will consist of the mailing of the notices and balloting material and posting of information on the City's website and social media channels.

Property Owner Benefits & Services

The five Lighting and Landscaping Assessment Districts covering the entire City are of special benefit to the various parcels of land within the district and essential to help maintain property values.

The benefits can be categorized broadly into two types, lighting and landscaping. Adequately lit streets maintain safe neighborhoods and improves the appearance of property frontage at night. Street lighting keeps our streets safe for drivers and pedestrians alike, benefitting those using or occupying the neighboring parcels. At night or in bad weather, drivers and pedestrians can better see one another, traffic signs, and bicyclists.

Properly functioning street lighting allows our first responders to more easily locate a Hercules resident's home in an emergency. Adequate lighting also allows for safe access to one's home and property. To continue to provide adequate lighting, there are approximately 400 remaining wooden street light poles in the City that must be replaced given their deteriorated condition with new poles and energy and cost-effective LED lighting, which will have on-going energy and operational cost savings.

The landscaping benefits provide for healthy and well-maintained neighborhood and city parks, recreation facilities, open space and landscaping improvements. Routine landscape maintenance to city medians, parks, and open spaces such as mowing, weed abatement, trash and debris pick-up keep our neighborhoods properly maintained while increasing safety and plant health during years of drought. Landscaping is routinely pruned at medians and other areas, so drivers have good sight vision at city intersections. These efforts also provide for litter and graffiti removal.

Preliminary Engineers' Reports Summary

The Preliminary Engineer's Report (Attachment 6) provides that the maximum annual assessment per parcel may be increased each fiscal year by the prior year's increase in the Consumer Price Index for the San Francisco-Oakland-San Jose Area - All Urban Consumers (CPI). The prior year's increase in the CPI was 3.526%. To address the funding shortfalls described in the section above, the current maximum assessment rates for Citywide District 83-2, Zone Nos. 1 and areas of 7 (Heights) are proposed to be increased above the authorized CPI increase of 3.526%, subject to property owner approval, as shown in the table below. All other Districts/Zones are proposed to be assessed at their current maximum assessment rates in FY 2019/20, with the exception of the Baywood District (No. 2004-1) where the neighborhood assessment rate needed to cover expenses and continue to build capital reserves will be \$1,700/parcel. The current and proposed rates for each District and Zone are set forth in the table below:

	CURRENT ASSESSMENT FY 2018/19		PROPOSED ASSESSMENT FY 2019/20		DIFFERENCE	
LLAD ZONES/DISTRICTS	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)
1 (Cottage Ln, Coventry, and Olympian Hills)	\$60.32	\$124.74	\$92.66	\$129.13	\$32.34	\$4.40
1 (Other Parcels)	\$60.32	\$124.74	\$142.16	\$129.13	\$81.84	\$4.40
2	\$116.49	\$124.74	\$120.60	\$129.13	\$4.11	\$4.40
3&4	\$77.59	\$124.74	\$80.33	\$129.13	\$2.74	\$4.40
5A	\$124.85	\$124.74	\$129.25	\$129.13	\$4.40	\$4.40
5B	\$125.68	\$124.74	\$130.11	\$129.13	\$4.43	\$4.40
5C	\$56.05	\$124.74	\$58.03	\$129.13	\$1.98	\$4.40
6	\$29.34	\$124.74	\$30.38	\$129.13	\$1.03	\$4.40
7 (Bay Pointe, Bravo, Caprice)	\$71.81	\$124.74	\$74.34	\$129.13	\$2.53	\$4.40
7 (Other Parcels)	\$71.81	\$124.74	\$128.00	\$129.13	\$56.19	\$4.40
8	\$106.88	\$124.74	\$110.65	\$129.13	\$3.77	\$4.40
9	\$92.50	\$124.74	\$95.76	\$129.13	\$3.26	\$4.40
VICTORIA BY THE BAY DISTRICT 2002-1	\$502.89	\$124.74	\$520.63	\$129.13	\$17.73	\$4.40
PROMENADE DISTRICT 2002-2	\$633.16	\$124.74	\$655.49	\$129.13	\$22.33	\$4.40
BAYWOOD DISTRICT 2004-1	\$1,700.00	\$124.74	\$1,700.00	\$129.13	\$0.00	\$4.40
BAYSIDE DISTRICT 2005-1	\$230.72	\$124.74	\$238.86	\$129.13	\$8.14	\$4.40

Lighting and Landscaping Assessment District No. 83-2

Landscaping and Lighting Assessment District No. 83-2 (hereinafter “LLAD 83-2”) is the largest and oldest District in the City and consists of 10 Zones. The District was originally formed in 1984 and consisted of four residential areas or zones: Zone 1 (Hercules by the Bay), 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 the LLAD 83-2, Zone 6 (Village Parkway), a residential area, was separated from Zone 5 upon development, and Zone 7 (Heights) was annexed to the LLAD 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 the LLAD 83-2 following a mailed assessment ballot proceeding.

For FY 2019/20 there is funding included for median restoration associated with Zone 5A, improvements to Refugio Park and tree removal in Ohlone Park associated with Zone 10.

Baywood Landscaping and Lighting Assessment District No. 2004-1

Baywood consists of 64 single family residential parcels, 14 townhomes, and a City-owned open space parcel. The Baywood neighborhood assessments are proposed to be levied at \$1,500.00 per single family parcel. Baywood's assessments remain higher than other Districts because the landscaping maintenance for Baywood includes the front and back yards of homes outside the fence-line areas, which are maintained by property owners or homeowner associations in other Districts. For FY 2019/20 there is additional funding included for tree replacement.

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

Victoria by the Bay consists of 791 single-family detached parcels, 132 multi-family units, a City open space parcel, and 2 neighborhood parks (Victoria Park and Arbor Park). For FY 2019/20 there is additional funding included for tree trimming.

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

Hercules Village consists of 218 single family residential units, 3 privately owned parcels which can be developed into multi-family units and/or residential/commercial flex sites and 3 City open space parcels.

Bayside Lighting and Landscaping Assessment District No. 2005-1

Bayside currently consists of 479 single-family residential units, including the recently constructed Muir Pointe development, one neighborhood park (Bayside Park), and one mixed-use parcel consisting of 147 multi-family units and 12,777 sq. ft. of commercial space.

ATTACHMENTS:

1. Citywide Resolution
2. Victoria by the Bay Resolution
3. Hercules Village Resolution
4. Baywood Resolution
5. Bayside Resolution
6. Preliminary Engineer's Reports
7. Draft Zone 1 Notice
8. Draft Zone 1 Ballot
9. Draft Zone 7 Notice
10. Draft Zone 7 Ballot
11. Proposed Assessment Increase Summary Sheet