



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of January 26, 2021

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 2021/22 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 is anticipated to result in a maximum increase in assessments in the amount of the consumer price index for the 2021/22 fiscal year. This will not address the Zone 6 (Village Park) issues, nor the need to replace streetlights in Zones 3 & 4 (Gems & Birds). The cost of the normal annual renewal process is provided for in the budget for the Landscape & Lighting Assessment Districts, and in the case of Zone 6 which is the last Zone with an unaddressed operating deficit and cumulative deficit, will contribute to that deficit increasing. Any costs associated with a possible Prop 218 balloting in select Zones are not budgeted.

DISCUSSION:

The kick-off to the annual process for Landscape & Lighting Assessment District assessment setting for the next fiscal year typically occurs in April to ensure that assessment increases are considered and approved by the end of June. In October 2018, 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, the City was successful in balloting in Zone 1 to address the deficit and to replace the failing streetlights. However, proposed assessment increases were not approved in Zones 3 & 4 and 6, and the service reductions remain in effect.

The City Council opted to not ballot in those Zones in 2020, and the purpose of this report is to update the City Council on all of the Districts and Zones in general, and to provide a more detailed update and discussion of options for Zones 3 & 4, and 6.

Attached is an updated summary of how the District and Zones end the 2020/21 fiscal year and an initial projection for the 2021/22 fiscal year (Attachment 3).

In regard to Zone 3 & 4, with the service reductions in place, which is primarily the elimination of street light maintenance and associated staffing costs, the Zone operates in the green and is slowly building up reserves. The number of failed streetlights is increasing and residents in the area have expressed concern about this. Replacement of the streetlights remains the most effective way to ensure the cost-effective provision of services and to ensure operational streetlights and also allow for street lights to be replaced with more energy efficient lights.

An initial estimate of what would be required in the form of an increased assessment to fund the streetlight replacement with the cost recovered over ten years as previously proposed is set forth below:

Zone 3&4

Current FY 2020-21 Assessment	\$82.66
Assessment to eliminate annual deficit	\$0.00
Assessment to eliminate cumulative deficit (over 10 years)	\$0.00
Assessment to replace wooden poles (financed over 10 years)	<u>\$46.70</u>
	\$129.36

The current FY 20-21 annual assessment in Zone 3 & 4 is \$82.16 per single-family home. In 2018, the City balloted on the annual assessment increasing to \$139.00, and that was supported by 48.6% of the ballots returned and unfortunately below the approval threshold.

Even with service reductions, Zone 6 continues to have an operating deficit and thus a growing cumulative deficit. The current FY 20-21 annual assessment in Zone 6 is \$23.45 per condominium. In 2018, the City balloted on the annual assessment increasing to \$139.50 for the condominiums in Westwood Duets and to \$76.50 for the condominiums in the other HOA developments within Zone 6, and that was supported by 38% of the ballots returned and unfortunately below the approval threshold.

For Zone 6, staff has re-engaged with representatives of a number of the HOA areas, including Westwood Duets, where they have expressed an interest in taking ownership of the streetlights within their neighborhood and which are located on private streets. City staff has also been in contact with PG&E about the possible transfer of the streetlights to the Westwood Duets HOA and we are awaiting some additional information. In the event that the PG&E transfer of streetlights to the HOA is too costly, staff is looking into whether the City could lease the streetlights to the Westwood Duets HOA. Staff has also done an assessment of the hollow-core wood poles in the Westwood Duets area and they are a thicker pole with an estimated remaining life of 5 years or more.

These discussions have helped define a number of possible options if the City were to propose to ballot again in Zone 6 for increased assessments. Given the remaining life of the Westwood Duets Streetlights, we could ballot to just address the operating deficit, the cumulative deficit over ten years, and the replacement of just the 24 Village Parkway streetlights financed over 10 years, and not for the 33 Westwood Duets Streetlights. This scenario is illustrated below:

Zone 6 (Village Parkway)	Proposed Assessment Rate
Current FY 2020-21 Assessment	\$23.45
Additional Assessment to eliminate annual deficit	\$31.97
Assessment to eliminate cumulative deficit (over 10 years)	\$18.01
Assessment to replace wooden poles along Village Parkway (financed over 10 years)	<u>\$9.21</u>
	\$82.64

Of course, we could ballot for the same scenario as we did in 2018, and below is that updated scenario:

Zone 6 (Village Parkway) - Westwood Duets Condominiums	Proposed Assessment Rate
Current FY 2020-21 Assessment	\$23.45
Additional Assessment to eliminate annual deficit	\$31.97
Assessment to eliminate cumulative deficit (over 10 years)	\$18.01
Assessment to replace wooden poles along Village Parkway (financed over 10 years)	\$9.21
Assessment to replace wooden poles in Westwood Duets (financed over 10 years)	<u>\$55.64</u>
	\$138.28

Zone 6 (Village Parkway) - Other Condominium Developments	Proposed Assessment Rate
Current FY 2020-21 Assessment	\$23.45
Additional Assessment to eliminate annual deficit	\$31.97
Assessment to eliminate cumulative deficit (over 10 years)	\$18.01
Assessment to replace wooden poles along Village Parkway (financed over 10 years)	<u>\$9.21</u>
	\$82.64

In regard to Zone 6, the HOA reps with whom we have been meeting have shared some insights as to concerns residents had with the prior balloting and perhaps why we have been unsuccessful to date. One of the items of information they asked us to provide was a summary sheet that compares the level of assessment and services provided in the other parts of the City. That is provided for the City Council's information as well (Attachment 4). Feedback provided previously remains important and the HOA reps believe we need to more clearly define 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 be financed over 10 years. At the end of ten years, this component would sunset. They also had suggestions

about how to fine tune our outreach and communication and we would continue to work with them to do so if the Council were to opt to proceed to balloting.

Below is a tentative FY 2021-22 schedule (Council meetings in bold) for the LLAD assuming no Proposition 218 effort to increase assessments in any Districts or Zones is contemplated, which means we are just applying the applicable CPI increase:

- March thru April 2021 – Prepare Preliminary Engineer’s Report and determine FY 2021-22 assessment rates
- **April 27, 2020 – Adopt Resolution of Initiation/FAI Contract Approval**
- **May 25, 2020 – Adopt Resolution of Intention and approve FY 2021-22 Preliminary Engineer’s Report**
- **June 22, 2020 – Conduct Public Hearing and approve FY 2021-22 Final Engineer’s Report/Assessments**

Below is a tentative schedule (Council meetings in bold) that is probably the most realistic to meet if the City decides to propose increased assessments in any Zones for FY 2021-22, if so desired:

- March thru April 2021 – Perform assessment rates analysis, obtain approval from City Council as necessary, and conduct Public Outreach efforts
- **April 13, 2020 – Adopt Resolution of Initiation/FAI Contract Approval**
- **April 27, 2020 – Adopt Resolution of Intention and approve FY 2021-22 Preliminary Engineer’s Report**
- May 3, 2020 – Mail Notices/Ballots (minimum of 45 days prior to the PH)
- **June 22, 2020 – Conduct Public Hearing**
- June 23, 2020 – Tabulate Ballots
- **July 13, 2020 – Conduct Continued Public Hearing, Declare Results of Ballot Tabulation, and approve FY 2021-22 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 3&4	832	\$800	\$4,368	\$5,168
Zone 6	<u>962</u>	<u>\$1,600</u>	<u>\$5,051</u>	<u>\$6,651</u>
	1,794	\$2,400	\$9,419	\$11,819

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.

The City Council is requested to provide direction as to the process to be initiated for the FY 2021/22 renewal process.

ATTACHMENTS:

1. October 23, 2018 Staff Report
2. Service Reductions Notification Letter
3. Preliminary 2021-22 Financial Analysis
4. Assessment and Service Level Comparisons

<i>Financial Impact</i>			
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"/>			