
RECOMMENDATION

This public hearing is to consider public comments/testimony regarding the 2014-2015 Stockton Consolidated Landscape Maintenance Assessment District No. 96-2 (Consolidated Landscape District) Annual Engineer's Report, and levy of assessments.

At the conclusion of the public hearing, if owners of more than 50 percent of the area of assessable lands within the Consolidated Landscape District have not protested the proposed levy of annual maintenance assessments, it is recommended that Council adopt a resolution overruling all protests, approving and adopting the Consolidated Landscape District’s Annual Engineer's Report for the 2014-2015 fiscal year containing the budget for each zone, confirming and levying the assessments for each zone as set forth in the Annual Engineer's Report, confirming that the assessments are in compliance with State of California Streets and Highways Code, Section 22500, that the assessments are levied without regard to property valuation, and that the assessments are to fund maintenance of public parks and landscape improvements.

It is further recommended that the resolution authorize the City Manager to take appropriate actions to carry out the purpose and intent of this resolution.

Summary

This public hearing is to consider public comments/testimony regarding approval of the Consolidated Landscape District’s 2014-2015 Annual Engineer's Report, budget, and levy of assessments. There is no proposed increase to the actual assessments on the property owners for the fiscal year 2014-2015. The Landscaping and Lighting Act of 1972 (Act), under which the Consolidated Landscape District was formed, requires this public hearing and approval of the Annual Engineer's Report, budget, and levy of assessments. The complete Annual Engineer's Report is on file with the City Clerk's Office, which includes the budget and levy assessments. The Consolidated Landscape District levies assessments to fund maintenance of landscaping and related improvements in 27 zones across the City. All funds generated from the assessments for each zone can only be used for specific work in that zone. The recommended resolution approves the Consolidated Landscape District's Annual Engineer's Report, budget, and levy of assessments for the 27 zones, confirms that the assessments are in compliance with State of California Streets and Highways Code, Section 22500, that the assessments are levied without regard to property valuation, and that the assessments are to fund maintenance of public parks and landscape improvements in public rights-of-way and public open spaces.
DISCUSSION

Background

On February 26, 1996, Council adopted Resolution No. 96-0084 that consolidated the eight Landscape Maintenance Districts that existed at that time into the new Consolidated Landscape District. The City used the provisions of the Act to establish the original individual districts and the Consolidated Landscape District. The Act contains provisions for the City to form an assessment district, or annex territory to an existing district, for the maintenance and operation of improvements that impart a special benefit to an area. Though the title of the Act references landscaping and lighting, a district can be formed to maintain a variety of improvements. These improvements include, but are not limited to, landscaping, fountains, ornamental structures, public lighting (such as street lights and traffic signals), walls, irrigation, parks, and park equipment. The Consolidated Landscape District provides for the maintenance of these types of improvements in certain subdivisions throughout the City.

There are now a total of 34 zones in the Consolidated Landscape District. During the 2013-2014 fiscal year, no new zones were formed, and no new territory was annexed to any existing zone. Assessments are levied in 27 zones (Attachment A). Assessments are not levied in the remaining seven zones as there are no improvements to maintain.

Of the 27 zones where assessments are levied, seven of the zones (A-1 Weber/Sperry, A-2 Morada West, B-1 Long Park, B-2 Weston Ranch, B-3 Weston Park, C-1 Spanos East, and D-1 Bridgeport Trails) do not have a provision for an annual increase to the assessment. The assessment in these districts is at the same level as when the zones were originally formed in the early 1990's. Any proposed increase in the annual assessment would have to be approved by a majority of the affected property owners.

Assessments in the remaining 20 zones were approved with an annual escalator. The escalator is the greater of three percent, or the increase in the San Francisco-Oakland-San Jose All Urban Consumers Price Index. The escalator allows the assessment, when necessary, to keep pace with inflation without having to go through the time and expense to ballot the property owners. The maximum allowable assessment annually adjusts by the Consumer Price Index, while the actual assessment needed to cover a zone's expenses is determined based on the estimated expenses for the fiscal year. From February 2013 to February 2014, the San Francisco-Oakland-San Jose All Urban Consumers Price Index increased 2.4 percent, so the maximum escalator that can be applied to the maximum allowable assessment for fiscal year 2014-2015 is three percent.

The Consolidated Landscape District sets annual assessments, collected by the County with annual property taxes, on each taxable parcel contained within the Consolidated Landscape District. These annual assessments provide funding for maintenance of the improvements, parks, inspection, repair and replacement of improvements, and other associated administrative costs, including preparing an Annual Engineer’s Report and assessment roll. The Annual Engineer’s Report contains the Consolidated Landscape District's budget. The budget details the maintenance and administrative costs for all affected zones. The property owners are responsible to fund only those improvements within their zone.

The assessments are apportioned in a manner to distribute the amounts among all assessable
parcels in proportion to the special benefit conferred on each parcel. Each year all properties are evaluated to determine if they meet the criteria to be assessed. If they are to be assessed, a dwelling unit equivalent factor (dueF) is assigned to each parcel. The dueF is based on the parcel's use. A single-family residential lot is equivalent to one dueF. The dueF for other classifications of properties, such as multi-family or commercial, is determined by the Allocation of Costs and Method of Assessment Spread contained in the Annual Engineer's Report.

On May 20, 2014, Council adopted Resolution No. 2014-05-20-1208, which preliminarily approved and confirmed the Annual Engineer’s Report for the 2014-2015 fiscal year, the proposed assessments, set a public hearing for June 10, 2014, and authorized the City Clerk to publish notice of the public hearing. The Annual Engineer's Report contains the budget, proposed assessment amounts, and a complete description of improvements eligible to be maintained. The Annual Engineer's Report is on file with the City Clerk.

Present Situation

The proposed budget (Attachment B) is a summary of the proposed 2014-2015 budget for the Consolidated Landscape District, and includes the proposed per dueF/single-family dwelling assessment for each zone where an assessment is proposed to be levied. The budgeted expenditures include: contracted maintenance, utilities, administration, repair and replacement of plant material and infrastructure, and contingency. The budgeted expenditures have increased from the current fiscal year due to anticipated increased costs for irrigation and vandalism/theft repairs. The budgeted revenues are from assessments on the property owners. Although expenditures are budgeted to increase, none of the proposed 2014-2015 assessments have been increased from the assessments for the current fiscal year. For the zones that have a provision for an annual escalator, it is proposed that the maximum allowable assessment be increased by three percent.

In 25 zones, there is a request for an appropriation from the Reserve for Continuing Appropriations to balance a zone's budget. Typically this appropriation from reserve funds is less than the budgeted contingency and therefore, in many cases, will not be spent. For 19 of these zones, there is an allowance for an increase in the annual assessment to balance estimated expenditures; however, in order to avoid such an increase at this time, it is recommended that reserve funds be utilized. The remaining six zones where an appropriation has been requested have a fixed assessment, and the appropriation from reserve funds is the only method of balancing the budgeted expenditures. Siegfried Engineering, Inc. is currently evaluating each zones' reserve fund balance compared to long term replacement needs. The consultant is also evaluating whether assessments are being levied at a level that will allow for continued maintenance for all eligible improvements at existing service levels, and also provide sufficient reserve to meet long term needs. Upon completion of the study, for each zone there will be a recommendation of what amounts should be in reserve, the recommended assessment amount, and a recommendation on how to reach those amounts. The consultant is approximately 80 percent complete with their evaluation. The initial indication is that assessments should be increased in order to provide funds for continued maintenance of all identified improvements at the existing service levels, to provide sufficient funds for future needed replacement of improvements, and to insure the long term solvency of all the zones. This analysis will not be completed in time for the fiscal year 2014-2015 budget process, but will be finalized for the fiscal year 2015-2016 budget. Each zone currently generates sufficient revenue and has adequate reserves to continue maintenance at current service levels, at least until the evaluation is completed.
At the end of each fiscal year, any unexpended funds are returned to the particular zone’s reserve. The reserve is used to build up funds over a number of years for replacement of improvements such as turf, trees, shrubs, aging irrigation controllers and booster pumps, play equipment, walls, and park structures, such as picnic structures and bathroom buildings. In zones where street lighting is an improvement whose maintenance is funded, the annual assessment is set at a rate to fund eventual replacement of the street lights. These replacement funds are also deposited in the reserve. In most zones where there is a request for an appropriation from the reserve, the amount remaining is considered sufficient to meet any current obligations and provide for an unplanned contingency, such as damage to landscaping or theft of wire from lights in a park. Reserve funds are appropriated to keep the assessment as low as possible, and are typically not used if there are no extensive repairs or other unplanned expenditures in a district. Any funds remaining at the end of a fiscal year roll back into the zone’s reserve for use in future years.

For the seven zones that do not have a provision for an annual increase to the maximum allowable assessment, any proposed increase in the annual assessment would have to be approved by a majority of the affected property owners. In several of these zones, reserves are currently being drawn down to fund maintenance. Ultimately, given increases in costs in future years, the reserves in each of the seven zones will be depleted, and the zones will become unable to continue to fund maintenance at the level currently provided. Current projections are that the reserves in any of these seven zones will be adequate to continue the current service levels for at least five years. One part of the consultant’s evaluation includes preparing recommended reserve levels for each zone and options to address the potential future revenue shortages in the seven zones that have fixed assessments.

The Act, under which the Consolidated Landscape District was formed, requires this public hearing and approval of the Annual Engineer’s Report, budget, and levy of assessments. The 2014-2015 Annual Engineer’s Report for the Consolidated Landscape District, which contains the budget, assessment amounts, and a description of improvements eligible to be maintained, is on file with the City Clerk. Attachment B is a summary of the budget and includes the proposed actual assessment per dueF/single-family dwelling, and the proposed maximum assessment. The assessments fund maintenance of over four million square feet of street landscaping, 68+ acres of open space, 42+ miles of back-up walls, 10.5+ miles of bicycle/pedestrian paths, and 12 parks totaling over 114 acres. A brief summary of the improvements eligible to be maintained by each zone, and the proposed actual assessment and proposed maximum assessment per dueF for each zone, is contained in Attachment C.

The recommended resolution approves the Consolidated Landscape District’s Annual Engineer’s Report, the budget for each zone, and levy of assessments, confirms that the assessments are in compliance with State of California Streets and Highways Code, Section 22500, that the assessments are levied without regard to property valuation, and that the assessments are to fund maintenance of public parks and landscape improvements. There is no proposed increase to the actual assessments on the property owners for the fiscal year 2014-2015.

Public Notification

Notice of Public Hearing was published in The Record on May 24, 2014. The notice is required to be published a minimum of 10 days prior to the public hearing.
FINANCIAL SUMMARY

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<th>Description</th>
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<td>Total Proposed 2014-2015 Assessments</td>
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<tr>
<td>Total Proposed 2014-2015 Appropriation from Reserves</td>
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<td>TOTAL PROPOSED FISCAL YEAR 2014-2015 BUDGET</td>
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<td>TOTAL CURRENT 2013-2014 BUDGET</td>
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<td>INCREASE/(DECREASE)</td>
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The budget includes transfers from Zones A-7 Hunter Ridge/B-2 Weston Ranch/C-2 North Stockton Projects/E-3 Seabreeze to fund the zones’ proportionate share of park maintenance costs for parks located in Zones A-4 Blossom Ranch/B-3 Weston Park/C-1 Spanos East/E-1 Little John Creek, respectively. The requested appropriation from the reserves will still leave an estimated $8,401,423 in total reserve funds available for future programming. For additional details of particular zones, please see attachments.

There is no impact to the City’s General Fund or to any other unrestricted fund as a result of taking the recommended actions. The City makes no financial contribution to the Consolidated Landscape District. All fees, costs, and expenses, including staff costs, are paid from the proceeds of the annual assessments to be levied.

Attachment A - Vicinity Map
Attachment B - Proposed Budget
Attachment C - Summary of Zones