



City of Rialto

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Title: Request City Council to Conduct a Public Hearing to Adopt Resolution No. 7348 Approving the Engineer's Reports and Ordering the Levy of Assessments for Fiscal Year 2018/2019 for Street Light Maintenance District No. 1, Resolution No. 7349 for Landscape Maintenance District No. 1, and Resolution No. 7350 for Landscaping and Lighting District No. 2. (ACTION) POWERPOINT

Sponsors:

Indexes:

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Attachments: 1. Attachment 1 - SLD 1_Engineer Report (PH), 2. Attachment 2 - LMD 1_Engineer Report (PH), 3. Attachment 3 - LLD 2_Engineer Report (PH), 4. Resolution - SLD1, 5. Resolution - LMD1, 6. Resolution - LLD2, 7. Power Point District Assessments

Date	Ver.	Action By	Action	Result
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For City Council Meeting [June 12, 2018]

TO: Honorable Mayor and City Council

APPROVAL: Robb R. Steel, Interim City Administrator

FROM: Robert G. Eisenbeisz, P.E., Public Works Director/City Engineer

Request City Council to Conduct a Public Hearing to Adopt **Resolution No. 7348** Approving the Engineer's Reports and Ordering the Levy of Assessments for Fiscal Year 2018/2019 for Street Light Maintenance District No. 1, **Resolution No. 7349** for Landscape Maintenance District No. 1, and **Resolution No. 7350** for Landscaping and Lighting District No. 2.
(ACTION) POWERPOINT

BACKGROUND:

The Landscaping and Lighting Act of 1972, (the "Act"), beginning with Section 22500 of the California Streets and Highways Code, requires the City Council to order the preparation of an Engineer's Report each year which details the levying of special assessments for the three separate Special Districts established within the City of Rialto.

Street Light Maintenance District No. 1 ("SLD 1"):

SLD 1 was established throughout the entire City to fund the operation of the City's street light system consisting of over 4,800 street lights, and to fund costs for tree trimming and maintenance. The historic maximum special assessment prior to November 1996, pursuant to limitations identified in Proposition 218, limit the special assessments levied in SLD 1.

Landscape Maintenance District No. 1 (“LMD 1”):

The City first established LMD 1 in 1977 to fund costs for the maintenance of exterior parkway and median irrigation and landscaping adjacent to and associated with private land development. LMD 1 is comprised of over 100 separate annexed areas throughout the City, which occurred with the development of various subdivision tracts. Within LMD 1, the City maintains approximately 1,000,000 square feet of turf and 3,700 trees within a total area of 61 acres. The historic maximum special assessment prior to November 1996, pursuant to limitations identified in Proposition 218, limits the special assessments levied in LMD 1.

Landscaping and Lighting District No. 2 (“LLD 2”):

The City first established LLD 2 in January 2005, and was formed to fund costs for the operation of new street lights added to the City’s street light system, and to fund costs for the maintenance of exterior parkway and median irrigation and landscaping adjacent to and associated with private land development. Properties that become subject to the LLD 2 assessment are removed from the City’s SLD 1.

The City annexes all new developments within LLD 2, and takes into account current costs as well as an ability to adjust the special assessments annually by a cost inflator tied to the Consumer Price Index (“CPI”), to accommodate increasing annual operational costs. Annexation into LLD 2 is a condition of approval for all new development projects required to provide exterior landscaped parkways or medians, or required to install new street lights. The historic maximum special assessment prior to November 1996, pursuant to limitations identified in Proposition 218, limit the special assessments levied in LLD 2.

The Act allows the City to establish Special Districts to pay for the costs of installation and maintenance of various improvements, which provide special benefits to properties within the district. Proposition 218, approved in 1996, requires a property owner election process for any increase in special assessments for districts formed prior to Proposition 218 without an escalator clause. Prior to Proposition 218, there was no need for an escalator clause, so districts formed before Proposition 218 do not have an escalator. LLD2 was formed after Proposition 218 and includes an escalation factor that is tied to CPI.

The maximum annual special assessment within SLD 1 for a typical residential parcel is \$26; the maximum annual special assessment within LMD 1 for a typical residential parcel is \$58. For residential parcels in both SLD 1 and LMD 1, the total maximum annual special assessment is limited to approximately \$84.

ANALYSIS/DISCUSSION:

The City Council must adopt various Resolutions to initiate the process to levy special assessments to collect funds for maintenance of improvements within SLD 1, LMD 1 and LLD 2. The method for calculating the special assessments for these Districts remains unchanged from prior years. The special assessments are formula based depending on the benefits of streetlights and/or landscaping (as the case may be), and other District services within the City. The City retained Willdan Financial Services to prepare the Engineer’s Reports for SLD 1, LMD 1 and LLD 2 as required by the Act. Willdan estimated the projected revenues and expenditures for these Districts for Fiscal Year 2018/2019.

Street Light Maintenance District No. 1 (SLD 1):

Assessments on parcels are dependent upon their classification as residential or commercial, and

whether vacant or developed. Residential properties include single-family units, multiple family units (condominiums and apartment complexes) and mobile home parks. For residential, a Land Benefit Factor of \$8.18 per acre applies, with a minimum assessment of \$2.05; and a Development Factor of \$24.03 applies to each residential parcel. The maximum special assessment for a typical residential parcel is \$26.08 and cannot be increased without an affirmative vote from the property owners.

Non-residential properties include commercial, professional, office and industrial uses, and are assessed similarly to residential properties. A Land Benefit Factor of \$8.18 per acre applies, with a minimum assessment of \$4.09; and a Development Factor of \$52.09 per acre applies. The maximum special assessment for a typical commercial parcel is \$56.18. This amount is fixed.

The maximum assessment to be collected within SLD 1 for Fiscal Year 2018/2019 is estimated at \$841,750. The total of estimated expenditures for Fiscal Year 2018/2019 is \$1,137,548 resulting in a budget deficit of \$295,798 for SLD 1. This deficit is funded by an annual General Fund contribution.

The Preliminary Engineer's Report ("Report") for SLD 1, included as **Attachment 1**, contains a full discussion of SLD 1 with a detailed budget.

Landscape Maintenance District No. 1 (LMD 1):

The Report assesses parcels dependent upon three established Zones of Benefit:

- Zone 1 includes residential parcels that benefit from parkway/median landscaping that do not include trees. The City established the maximum special assessment in 1993 at \$58 per Equivalent Benefit Unit ("EBU"). A single-family residential parcel is 1 EBU, and Zone 1 of LMD 1 contains 1,802.40 EBUs.
- Zone 2 includes residential parcels that benefit from parkway/median landscaping that include trees. The City established the maximum special assessment in 1993 at \$58 per EBU. A single family residential parcel is 1 EBU, and Zone 2 of LMD 1 contains 6,391.30 EBUs.
- Zone 3 includes multi-family residential or non-residential (commercial/industrial) parcels that benefit from parkway/median landscaping (with or without trees). The formula determines a parcel's EBU by allocating costs to each parcel on a per-EBU apportionment, utilizing the best representation of each parcel's benefit compared to other parcels. The maximum special assessment varies from \$2.58 per EBU to \$2,666.67 per EBU, dependent upon the individual annexation area. Zone 3 of LMD-1 contains 2,934.52 EBUs.

The maximum assessment to be collected within LMD 1 for Fiscal Year 2018/2019 is estimated at \$542,599. The total of anticipated expenditures are \$861,674, resulting in an anticipated budget deficit of \$362,284 for LMD 1. An estimated General Fund contribution of \$362,284 is required for LMD 1 to accommodate the estimated expenditures in FY 2018-2019.

The estimated annual expenditures in the amount of \$861,674 will only provide a minimal level of service within the District. Many of the desired services and activities, particularly those associated with repairs, tree maintenance, replacements and rehabilitation, will not be entirely possible, requiring them to be reduced, postponed or eliminated.

The Report for LMD 1, included as **Attachment 2**, contains a full discussion of SLD 1 with a detailed budget.

Landscaping and Lighting District No. 2 (LLD 2):

Parcels in this District are assessed dependent upon six established Zones of Benefit:

- Zone 1 includes residential parcels that benefit from parkway/median landscaping and street lighting. The maximum special assessment increases annually commensurate with the CPI, and the Report proposes a new maximum special assessment of \$390.4700 per EBU for Fiscal Year 2018/2019; however, staff recommends that the rate remain at \$369.4200 per EBU, the same as Fiscal year 2017/2018. A single-family residential parcel is 1 EBU, and Zone 1 of LLD 2 contains 435.00 EBUs.
- Zone 2 includes non-residential (commercial/industrial) parcels that benefit from parkway/median landscaping and street lighting. CPI allows for annual increases to the maximum special assessment, and is proposed to be established at \$0.6406 per EBU for Fiscal Year 2018/2019; however, staff recommends that the rate remain at \$0.6000 per EBU, the same as Fiscal Year 2017/2018. To calculate the EBU for each parcel, the total landscaped area in square feet is divided by the total area of all properties associated with that landscaped area to establish a base value of benefit (square foot per acre). Zone 2 of LLD 2 contains 783,039.92 EBUs.
- Zone 3 is currently limited to the residential parcels within “Rialto Heights” (Tract 16708), that receive benefit from the perimeter landscaped slope between Rialto Heights and Frisbee Park. The maximum special assessment increases annually commensurate with the CPI, and is proposed to be established at \$600.2794 per EBU for Fiscal Year 2018/2019. However, Staff recommends the rate to remain at \$567.9200 per EBU, the same as Fiscal Year 2017/2018. A single family residential parcel is 1 EBU, and Zone 3 of LLD 2 contains 20.00 EBUs.
- Zone 4 includes developments and parcels that are considered non-residential properties (commercial, industrial, institutional facilities, office buildings, etc.). The maximum special assessment increases annually commensurate with the CPI, and is proposed to be established at \$50.9988 per EBU for Fiscal Year 2018/2019; however, staff recommends that the rate remain at \$48.2501 per EBU, the same as Fiscal Year 2017/2018. Zone 4 of LLD 2 contains 48.26 EBUs.
- Zone 5 includes parcels within multi-family residential developments (where individual parcels have two or more residential units) and/or residential condominium/townhome subdivisions (where each residential unit is assigned its own Assessor’s Parcel Number). Zone 5 currently includes the parcels within the Bloomington Lane residential condominium subdivision (Tract 17921) and parcels located on the west side of Riverside Avenue approximately 450 feet south of Bloomington Avenue within the R-3 (Multi-Family Residential) zone. The maximum special assessment increases annually commensurate with the CPI, and is proposed to be established at \$0.6406 per EBU for Fiscal Year 2018/2019; however, staff recommends the rate to remain at \$0.6061 per EBU, the same as Fiscal Year 2017/2018. Zone 5 of LLD 2 contains 16,727.98 EBUs.
- Zone 6 includes parcels within residential subdivisions that receive special benefit from and pay for street lighting only. The maximum special assessment increases annually commensurate with the CPI, and is proposed to be established at \$71.9877 per EBU for Fiscal Year 2018/2019; however, staff recommends that the rate remain at \$68.10 per EBU, the same as Fiscal Year 2017/2018. Zone 6 of LLD 2 contains 23.00 EBUs.

The estimated maximum assessment to be collected within LLD 2 for Fiscal Year 2018/2019 is \$707,238; however, staff recommends charging below the maximum rate. The reserve balance for LLD 2 and holding the assessment amount at what was collected last year is sufficient to cover the estimated expenditures. The estimated applied assessment to be collected within LLD 2 for Fiscal Year 2018/2019 is \$664,606. Prior year annexations approved by Council are included in the assessment calculation. The estimated total expenditures for LLD 2 for Fiscal Year 2018/2019 are \$561,576 resulting in an estimated surplus of \$103,030.

The Report for LLD 2, included as **Attachment 3**, contains a full discussion of LLD 2 with a detailed budget.

In order to officially levy assessments for SLD 1, LMD 1 and LLD 2 the City Council must make certain findings and adopt various Resolutions related to the Special Districts, and conduct a Public Hearing. The Public Hearing, provides property owners an opportunity to comment on the continued operation and maintenance of improvements within SLD 1, LMD 1 and LLD 2, and based on the public testimony the City Council will consider approving the Engineer's Reports, approving the continued operation of SLD 1, LMD 1 and LLD 2 for Fiscal Year 2018/2019, and ordering the levying and collection of assessments.

The City Clerk published notices for the Public Hearing as required by Sections 22552 and 22553 of the California Streets and Highways Code.

ENVIRONMENTAL IMPACT:

Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

Approval of this action complies with the City of Rialto General Plan Goals and related Policies:

- Goal 2-8: Preserve and improve established residential neighborhoods in Rialto.**
- Goal 2-10: Create distinctive gateways at all entry points into Rialto and for individual districts or neighborhoods.**
- Goal 2-12: Design new streets to be pedestrian friendly.**
- Goal 2-13: Achieve quality aesthetic design of all signage in the City of Rialto.**
- Goal 2-17: Provide high-quality and environmentally sustainable landscaping.**
- Goal 2-19: Encourage neighborhood preservation, stabilization, and property maintenance.**
- Goal 2-21: Ensure high-quality planned developments in Rialto.**
- Goal 2-22: Promote commercial and/or industrial development that is well designed, people-**

oriented, environmentally sustainable, sensitive to the needs of the visitor or resident, and functionally efficient for its purpose.

LEGAL REVIEW:

The City Attorney has reviewed and approved the staff report, resolutions, and preliminary Engineer's Reports.

FINANCIAL IMPACT:

Operating Budget Impact

Street Lighting Maintenance District No. 1 (SLD 1):

For the past several years, the cost to energize and maintain street lighting improvements in SLD 1 has exceeded the amount of maximum special assessments levied in SLD, primarily because of significant increases in utility costs and other maintenance costs. In prior years, SLD 1 has operated at a deficit, relying on a subsidy from the General Fund to cover costs. Based on the Engineer's Report, the Fiscal Year 2018/2019 assessments will generate \$841,750 in revenue for SLD 1 in Fund 490. Estimated costs to operate SLD 1 are \$1,398,457. A General Fund subsidy is required to resolve the estimated deficit of \$556,707. A request for a General Fund transfer is part of the 2018-2019 budget process and is necessary to continue operation of the City's street lights at current levels.

Staff expects a significant reduction in energy consumption and maintenance costs over time with the purchase of street lights from Southern California Edison and conversion from High Pressure Sodium Vapor (HPSV) fixtures to Light Emitting Diode (LED) fixtures. According to the projected Cash-flow model, the City will not realize noticeable positive cash flow until the fourth year of the program, which will begin to recover cost of the acquisition/conversion. Fiscal Year 2018/2019 will be the first full year with the new improved LED lighting.

Landscape Maintenance District No. 1 (LMD 1):

Due to consistent increases in labor costs and significant increases in utility costs, the costs to maintain the improvements within LMD 1 in prior years exceeded the maximum special assessments that can be levied within LMD 1. In prior years, LMD 1 has operated at a deficit, relying on the General Fund to cover excess costs above revenues collected. Based on the preliminary Engineer's Report, the Fiscal Year 2018/2019 assessment will generate \$542,600 in revenue for LMD 1 in Fund 225. Estimated operational budget for SLD 1 are at \$826,645. The revenue deficit of \$284,045 requires a General Fund contribution to maintain the district. The midyear analysis indicated a beginning Fund Balance on July 1, 2018 of \$82,834 for LMD 1. Even with the City's General Fund contribution of \$201,211, many of the desired services and activities, particularly those associated with repairs, tree maintenance, replacements, and rehabilitation, will need to be reduced, postponed, or eliminated until assessment revenues increases.

Landscaping and Lighting District No. 2 (LLD 2):

Based on the Engineer's Report, the Fiscal Year 2018/2019 assessment will generate \$729,000 in revenue for LLD 2 in Fund 224. Costs to operate LLD 2 are \$702,612. During Fiscal Year 2018/2019, LLD 2 will generate a surplus in the amount of \$93,687.81 which will help to maintain and offset costs in prior years for the various zones within the District.

Since the inception of LLD 2, the City has levied assessments at appropriate levels to fund operations and provide a reserve fund balance for a repair/replacement program as well as a reserve

fund equal to 50% of annual operation costs to cover cash flow for the first half of the Fiscal Year before the County's first installment payments are received in January. The General Fund has not subsidized LLD 2.

Capital Improvement Budget Impact

There is no impact to the Capital Improvement Budget related to the Annual Assessment of Landscape and Lighting fees for the SLD 1, LMD 1, LLMD 2.

Licensing

A Business License application and payment of a Business License tax is not required for this action.

RECOMMENDATION:

Staff recommends that the City Council conduct a Public Hearing and after considering testimony received:

- Adopt **Resolution No. ____** Approving the Engineer's Report and Ordering the Continued Operation and Maintenance of Improvements for Street Light Maintenance District No. 1 and Ordering the Levy and Collection of Annual Assessments related thereto for fiscal year 2018/2019.
- Adopt **Resolution No. ____** Approving the Engineer's Report and Ordering the Continued Operation and Maintenance of Improvements for the Landscape Maintenance District No. 1 and Ordering the Levy and Collection of Annual Assessments related thereto for fiscal year 2018/2019.
- Adopt **Resolution No. ____** Approving the Engineer's Report and Ordering the Continued Operation and Maintenance of Improvements for Landscape and Lighting District No. 2 and Ordering the Levy and Collection of Annual Assessments related thereto for fiscal year 2018/2019.