



# City of Rialto

## Legislation Details (With Text)

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**Title:** Request City Council to Conduct a Public Hearing to adopt Resolution No. 7539 Approving the Engineer's Reports and Ordering the Levy of Assessments for Fiscal Year 2019/2020 for Street Light Maintenance District No. 1, Resolution No. 7540 for Landscape Maintenance District No. 1, and Resolution No. 7541 for Landscaping and Lighting District No. 2. (ACTION)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Attachment 1 - FY 1920 City of Rialto\_SLD 1\_Engineer Report .pdf, 2. Attachment 2 - FY1920 City of Rialto\_LMD 1\_Engineer Report.pdf, 3. Attachment 3 - FY1920 Rialto\_LLD 2\_Engineer Report(Increased Rates).pdf, 4. FY1920 Rialto SLD1 Reso.pdf, 5. FY1920 Rialto LMD1 Reso.pdf, 6. FY1920 Rialto LLD2 Reso.pdf, 7. Power Point District Assessments 6-27-19.pdf, 8. Method of Apportionment2.pdf

Date	Ver.	Action By	Action	Result
7/23/2019	1	City Council		
7/9/2019	1	City Council		

For City Council Meeting [July 23, 2019]

**TO:** Honorable Mayor and City Council

**APPROVAL:** Rod Foster, City Administrator

**FROM:** Sean Grayson, Acting Public Works Director

Request City Council to Conduct a Public Hearing to adopt **Resolution No. 7539** Approving the Engineer's Reports and Ordering the Levy of Assessments for Fiscal Year 2019/2020 for Street Light Maintenance District No. 1, **Resolution No. 7540** for Landscape Maintenance District No. 1, and **Resolution No. 7541** for Landscaping and Lighting District No. 2. (ACTION)

### **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.

On July 9, 2019 the City Council conducted a public hearing, received a report, and directed staff to provide answers to specific questions. The public hearing was continued to July 23, 2019 for the City Council to receive answers to the specified questions and to consider the requested action.

**Street Light Maintenance District No. 1 (“SLD 1”):**

The City established SLD 1 throughout the entire City to fund the operation of the City’s street light system consisting of over 3,750 street lights, and to fund costs for tree trimming and maintenance. Proposition 218 limits the special assessments levied in SLD 1 to the historic maximum special assessment prior to November 1996.

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

In 1977, Rialto established LMD 1 to fund the maintenance of exterior parkway and median irrigation and landscaping adjacent to and associated with private land development. LMD 1 consists of over 100 separate areas throughout the City, annexed upon development of various properties. 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. Proposition 218 limits the special assessments levied in SLD 1 to the historic maximum special assessment prior to November 1996.

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

The City first established LLMD 2 in January 2005 and formed it to fund 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. The City removes properties that become subject to the LLMD 2 from SLD 1.

LLMD 2 annexes all new developments within the City based upon current costs with annual inflationary adjustments tied to the Consumer Price Index (“CPI”). The City conditions all new development to annex into LLMD 2 if required to provide for landscaped parkways or medians, and/or new streetlights. The special assessments are not limited to any historic maximum special assessment, and pursuant to Proposition 218, the maximum assessment may increase pursuant to the CPI.

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, cities could levy assessments based upon actual costs, so most districts did not have an escalator provision. LLMD2 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 following items represent the answers to questions posed at the July 9, 2019 City Council Meeting:

**What Are the Savings from Converting from Turf to Drought Tolerant Landscape?**

**Water Cost Analysis**

Council requested an analysis of water and labor costs resulting from recent conversion of turf areas

to drought tolerant landscaping, in accordance with California Water Use Reduction Mandates. The primary purpose of the turf conversions was to reduce potable water consumption for landscaping purposes in accordance with State water use restrictions and reduction mandates. The downtown Riverside Avenue median conversion provides an accurate basis for determining the reduction in water consumption because it has a water meter dedicated to the entire area converted from turf to drought tolerant landscaping. The conversion project on Riverside Avenue included the medians between Foothill Boulevard and the railroad tracks located just north of 1<sup>st</sup> Street.

The average annual total water units used in this area was 1,998 units between 2010 and 2012 and during the most recent twelve (12) month period, the usage was 1,140 units. This reflects a 42 percent reduction in water usage during the most recent twelve month period; however, it should be noted that this time period included plant establishment, which requires more watering than after plants are established. Staff anticipates that the ultimate reduction could be 45 to 50 percent.

Based upon the reduction of 857 units and using the current water rate of \$3.32 per unit, the estimated annual savings for this area is approximately \$2,845 year. Based on the area of 23,394 square feet (or 0.537 acre), the annual water cost savings for the Riverside Avenue median conversion amounts to approximately \$0.122 per square foot, or \$5,297 per acre. This provides a reasonable basis for estimating the water reduction/savings in other conversion areas that have meters with a mix of other uses and/or non-converted turf areas.

With year over year water rate increases, that apply to all water use in the LMD1 and LLD2, the total cost of water used for landscape irrigation has still increased annually despite the savings from turf conversion.

#### Landscape Maintenance Costs

Bid prices for landscape maintenance at parks and/or facilities reflect a net cost reduction of approximately \$0.02 per square foot after the conversion from turf to drought tolerant landscaping. Street related landscaping maintenance costs include other factors and the cost of landscape maintenance for streets has increased with turf conversion by a factor of approximately \$0.10 per square foot after conversion. Based on this the City has changed from one contract to maintain all landscape to two different contracts separating street landscape maintenance from the parks/facility landscape maintenance. This results in a slightly higher cost for the street maintenance and lower costs for the parks/facilities maintenance. Since the area of parks/facilities is much greater, separating the services into two contracts results in an overall cost savings, even though street landscape maintenance costs are higher than the previous combined contract. Despite this separation the total cost of landscape maintenance contracts continue to rise over time.

For contemporary turf conversions the first year after conversion resulted in a cost savings for maintenance due to slow growth period of newly planted vegetation. Subsequent years showed an increase due to the following factors.

- Manpower increased for maintaining drought tolerant landscape areas
- Time needed for trimming is more than mowing
- Cost of Green Waste Disposal for disposal of trimmings (this is not required for mowing due to grass cycling)

The table below demonstrates the change of some of the landscape maintenance prices over a five-year period for areas converted to drought tolerant landscape.

Converted Annexation Area	Square Footage Turf Removed	Fiscal Year 2015/2016 Cost	Fiscal Year 2016/2017 Cost	Fiscal Year 2017/2018 Cost	Fiscal Year 2018/2019 Cost	Fiscal Year 2019/2020 Cost
<b>Annexation #7</b> (North Riverside Ave. West Side)	21,223	\$3,938.70	\$2,812.14	\$2,865.57	\$3,120	\$4,024.80
<b>Annexation #25</b> (North Riverside Ave. West Side)	21,223	\$1,482.11	\$1,058.27	\$1,078.38	\$1,476	\$1,518.80
<b>Annexation #34</b> (North Riverside Ave. East Side)	74,243	\$4,669.95	\$3,334.42	\$3,397.77	\$3,816	\$3,926.66
<b>Annexation #51</b> (North Riverside Ave. West Side)	21,223	\$1,655.89	\$1,182.26	\$1,204.72	\$1,572	\$1,617.59
<b>Annexation #106</b> (North Riverside Ave. West Side)	21,223	\$491.86	\$351.29	\$357.96	\$624	\$642.10
<b>Annual Total Cost</b>		<b>\$12,238.51</b>	<b>\$8,738.38</b>	<b>\$8,904.40</b>	<b>\$10,608</b>	<b>\$11,729.95</b>

### **Why has the projected cost of tree maintenance increased?**

The total cost of tree maintenance by contract services has increased over time for Rialto and other cities in the Inland Empire. Minimum wage increases and the requirement to pay prevailing wages have been the primary drivers in the increased costs in contemporary bids. The current tree maintenance contract for the City has expired. As directed, staff will put tree maintenance service out for competitive bid prior to entering into a new contract for services for fiscal year 19/20.

Staff has identified cost containment and efficiency measures that may reduce future tree maintenance costs. Specifically using City staff for small projects rather than larger teams subject to the maintenance contract may reduce overall contract expenses. Even with a 25% reduction in the tree maintenance contract, the use of reserves would be required to account for all landscape maintenance in FY 19/20 even with the recommended increase in charged rates.

### **Is it possible for homeowners associations or other groups to pay for Lighting and Landscape Maintenance outside of the rate structure?**

LLD and LMD maintenance costs are performed primarily in the City right-of-way or on City owned assets such as street lights. It is generally not feasible to sub-contract these services back to a private party. Additionally, there is a cost savings related to the economy of scale presented in maintaining all areas within the City. If homeowners associations or other groups could pay separately to contract for landscape maintenance services their cost would be higher than the current City costs absent this economy of scale.

### **Discussion for Recommended Action**

The City must adopt various Resolutions to initiate the process for levying special assessments to collect funds for maintenance of improvements within SLD 1, LMD 1, and LLMD 2. The method for calculating the special assessments for these Districts remains unchanged from prior years. The City levies the special assessments based upon the identified benefits of streetlights and/or landscaping (as the case may be), and other District services within the City. The Engineer's Reports for SLD 1, LMD 1, and LLMD 2 were prepared pursuant to requirements of the Act, and the Reports estimate projected revenues and expenditures for these Districts in Fiscal Year 2019/2020.

### **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 voter approval.

Non-residential properties include commercial, professional, office and industrial uses, and the City applies an assessment formula similar 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 and the City cannot increase it unless approved by a majority vote of members within the district.

Staff estimates the maximum assessment to collect within SLD 1 for Fiscal Year 2019/2020 is \$839,437. The projected total of expenditures for Fiscal Year 2019/2020 is \$1,580,132; resulting in a budget deficit of \$740,695, which will require a General Fund contribution to accommodate anticipated expenditures. A full discussion of SLD 1 and a detailed budget is in the Preliminary Engineer's Report for SLD 1, included as **Attachment 1**.

#### Landscape Maintenance District No. 1 (LMD 1):

The City assesses parcels based 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-parcel 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 City estimates maximum collections within LMD 1 for Fiscal Year 2019/2020 at \$542,599. The projected expenditures for Fiscal Year 2019/2020 are \$802,434 resulting in a budget deficit of \$259,835 and requiring a General Fund contribution to maintain minimum service standards.

The Preliminary Engineer's Report for LMD1 provides a full discussion of LMD 1 and a detailed budget (**Attachment 2**).

#### Landscaping and Lighting District No. 2 (LLMD 2):

The City assesses parcels based upon three established Zones of Benefit:

- Zone 1 includes residential parcels that benefit from parkway/median landscaping and street lighting. The maximum special assessment may be increased annually by the CPI, and the Preliminary Engineer's Report proposes a new maximum special assessment of \$402.36 per EBU for Fiscal Year 2019/2020. A single-family residential parcel is 1 EBU, and Zone 1 of LLMD 2 contains 518 EBUs.
- Zone 2 includes non-residential (commercial/industrial) parcels that benefit from parkway/median landscaping and street lighting. The maximum special assessment may be increased annually by the CPI, and is proposed to be established at \$0.66 per EBU for Fiscal Year 2019/2020. The EBU calculated for each parcel is calculated by dividing the total square footage of the landscaped area associated with the parcel by the total acreage of all properties associated with that landscaped area to establish a base value of benefit (square foot per acre). Zone 2 of LLMD 2 contains 856,175.20 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 City may annually increase the maximum special assessment by the CPI, and proposes to establish it at \$618.57 per EBU for Fiscal Year 2019/2020. A single-family residential parcel is 1 EBU, and Zone 3 of LLMD 2 contains 20 EBUs.
- Zone 4 includes developments and parcels that are generally considered non-residential properties (commercial, industrial, institutional facilities, office buildings, etc.). The City may annually increase the maximum special assessment by the CPI, and proposes to establish it at \$52.55 per EBU for Fiscal Year 2019/2020. Zone 4 of LLMD 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 05 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 City may annually increase the maximum special assessment by the CPI, and proposes to establish it at \$0.66 per EBU for Fiscal Year 2019/2020. Zone 5 of LLMD 2 contains 16,727.98 EBUs.
- Zone 6 includes parcels within residential subdivisions that receive special benefit from and are being assessed for street lighting only. The City may annually increase the maximum special assessment by the CPI, and proposes to establish it at \$74.18 per EBU for Fiscal Year 2019/2020. Zone 6 of LLMD 2 contains 34.75 EBUs.

During prior fiscal years 16/17 through 18/19, expenditures for LLMD2 were in line with assessments and reserves were above 50% allowing for reductions in the assessment rates. The City estimates the maximum collection within LLMD 2 (including annexations completed for FY 2019/2020 which have already been approved in previous individual Engineer's Reports and previously presented to Council) for Fiscal Year 2019/2020 is \$802,111. The total estimated expenditures for LLMD 2 for Fiscal Year 2019/2020 are

\$1,051,757 resulting in a deficit of \$249,646, that staff proposes to fund from the LLMD2 Reserve Fund. Due to an increase in maintenance of new annexations and overall cost of maintenance, the current assessment level will be insufficient. By maintaining the rates below the Maximum Assessment Rate allowable and utilizing the reserve funds, the operational reserves decrease below

the 50% standard following the city's working capital reserve standard policy. The available Reserve Fund (Fund 224) balance is \$268,394, which is approximately 24% of expenditures.

To levy assessments for SLD 1, LMD 1, and LLMD 2, the City Council must make certain findings and adopt various Resolutions related to the Special Districts, and conduct the continued Public Hearing on July 23, 2019. At the Public Hearing, property owners will have an opportunity to comment on the continued operation and maintenance of improvements within SLD 1, LMD 1, and LLMD 2. Based on the public testimony, the City Council will consider approving the Engineer's Reports to approve the continued operation of SLD 1, LMD 1, and LLMD 2 for Fiscal Year 2019/2020, and to order the levying and collection of assessments.

A full discussion of LLMD 2 and a detailed budget is in the Preliminary Engineer's Report for LLMD 2, included as **Attachment 3**.

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”):**

Consistent increases in labor costs and significant increases in utility costs have resulted in increased costs to maintain the improvements within SLD 1, which exceeded the maximum special assessments levied within SLD 1. In prior years, SLD 1 has operated at a deficit, relying on the General Fund to cover the excess costs. Based on the Preliminary Engineer’s Report, the Fiscal Year 2018/2019 assessment will generate \$839,437 in revenue for SLD 1 in Fund 490. Estimated operational budget for SLD 1 is \$1,580,132. The revenue deficit of \$740,695 requires a General Fund subsidy to maintain the district. Fiscal Year 2018/2019 was the first full year with the new improved LED lighting.

#### **Landscape Maintenance District No. 1 (LMD 1):**

As a result of 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. Based on the Preliminary Engineer’s Report, the Fiscal Year 2019/2020 assessment will generate \$542,599 in revenue for LMD 1 in Fund 225. Estimated operational budget for LMD 1 is \$802,434. The revenue deficit of \$259,835 requires a General Fund Contribution to adequately maintain services. Even with the City’s General Fund contribution of \$259,835, 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 increase. A Prop 218 hearing is required to increase assessments to this district.

#### **Landscaping and Lighting District No. 2 (LLMD 2):**

Based on the Preliminary Engineer’s Report, the Fiscal Year 2019/2020 assessment will generate \$802,111 in revenue with estimated other revenue of \$68,000, providing a total revenue of \$870,111 for the operations of the LLMD 2 in Fund 224. The cost to operate LLMD 2 is estimated at \$1,051,757. Based on assessments for Fiscal Year 2019/2020 LLMD 2 will produce a deficit of \$249,646, which will require a contribution from the reserve fund to maintain operating services for the zones in the District.

Since the inception of LLMD 2, the City has levied assessments at levels equal to the required operating expenditures; however, during FY 2016/2017 through 2018/2019 the City Council set rates below the Maximum Rate allowable per Zone because the operating expenditures did not warrant increasing the rates at the maximum level. The revenues for FY 2019/2020 will fund operations and will not contribute to the reserve fund balance for the repair/replacement program. The General Fund has not subsidized LLMD 2.

### **Capital Improvement Budget Impact:**

Fiscal Year 2019/2020 includes a new proposed capital project for the Street safety lights conversion to LED fixtures in the amount of \$60,000 in SLD1 Fund 490.

### **Licensing**

A Business license application and payment of a Business License tax is not required.

## **RECOMMENDATION:**



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

- Adopt a Resolution 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 2019/2020.
- Adopt a Resolution 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 2019/2020.
- Adopt a Resolution 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 2019/2020.