



# City of Rialto

## Legislation Text

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For City Council Meeting [June 25, 2019]

TO: Honorable Mayor and City Council

APPROVAL: Rod Foster, City Administrator

FROM: Amy Crow, Administrative Analyst

Request City Council to Adopt (1) **Resolution No.7530**, **Resolution No.7531** and **Resolution No. 7532** Related to Street Light Maintenance District No.1 (2) **Resolution No.7533**, **Resolution No. 7534** and **Resolution No.7535** for Landscape Maintenance District No. 1, and Landscaping and Lighting District No. 2, and (3) **Resolution No.7536**, **Resolution No.7537** and **Resolution No.7538** Setting a Public Hearing for July 9, 2019, to Consider the Levy and Collection of Assessments Therein

### **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 (the "City").

#### **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 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 Landscaping and Lighting Act of 1972, (the Act), beginning with Section 22500 of the California Streets and Highways Code, authorizes the City Council to establish Special Districts to pay for the costs to operate and maintain public improvements that benefit private properties. In January 2005, the City Council established Rialto Landscaping and Lighting Maintenance District No. 2 (LLMD 2) to fund the operation of new street lights added to the City's street light system, and to fund the

maintenance of exterior parkway and median irrigation and landscaping adjacent to and associated with private land development. LLMD 2 consists of sixty-seven (67) separate areas throughout the City, annexed upon various developments approved after 2005. Within LLMD 2, the City currently maintains a total of over 23.93 acres of landscaped area and 177 streetlights.

All new developments within the City must annex to LLMD 2. The City may adjust LLMD 2 assessments in accordance with the Consumer Price Index ("CPI"). Annexation into LLMD 2 is a condition of approval for all new development projects required to provide exterior landscaped parkways or medians, and/or required to install new streetlights. The special assessments in LLMD 2 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 absorb the costs of installation and maintenance of various improvements that provide special benefits to properties within its area of influence. Proposition 218 requires that property owners ratify increases in special assessments related to SLD 1. The maximum special assessment within SLD 1 for a typical residential parcel is approximately \$26; the maximum special assessment within LMD 1 for a typical residential parcel is approximately \$58. For residential parcels in both SLD 1 and LMD 1, the total maximum special assessment is limited to approximately \$84.

#### **ANALYSIS/DISCUSSION:**

The City must approve 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 last year. Formulas apply the special assessments to the properties in the City based on the benefit of having streetlights and/or landscaping (as the case may be), and other District services within the City. Engineer's Reports for SLD 1, LMD 1, and LLMD 2 have been prepared pursuant to requirements of the Act, and the projected revenues and expenditures have been estimated 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 collections within SLD 1 included in proposed Fiscal Year 2019/2020 at \$839,437. The projected expenditures for Fiscal Year 2019/2020 are \$1,524,162, resulting in a budget deficit of \$684,725 and requiring a General Fund contribution to maintain current service standards. The Preliminary Engineer's Report for SLD 1 provides a full discussion of SLD 1 and a

detailed budget (**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 \$802,824, resulting in a budget deficit of \$260,225 and requiring a General Fund contribution to maintain minimum service standards. Even with the General Fund contribution, the City will need to postpone, reduce, or eliminate many of the desired services and activities; particularly those associated with repairs, tree maintenance, replacements, and rehabilitation, at least until such time that assessment revenues increase.

The Preliminary Engineer's Report for LMD 1A 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 maximum special assessment may be increased annually by the CPI, and is proposed to be established 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 maximum special assessment may be increased annually by the CPI, and is proposed to be established 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 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. 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 maximum special assessment may be increased annually by the CPI, and is proposed to be established 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 \$1,075,795 resulting in a deficit of \$273,684, that staff proposes to fund from the LLMD2 Reserve Fund. Due to an increase in maintenance of new annexations and increased costs for the new tree trimming maintenance contract including minimum wage and prevailing wage increases, the current assessment level will not be sufficient. In maintaining the rates below the Maximum Assessment Rate allowable and the need to utilize the reserve funds, the operational reserves have been reduced below the 50% recommended reserves to cover operational cost. The available Reserve Fund (Fund 224) balance is \$244,356, which is approximately 23%.

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 set a Public Hearing for July 9, 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.

The City Clerk will publish notices for the Public Hearing to be held on July 9, 2019, 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 \$1,524,162. The revenue deficit of \$684,725 requires a General Fund

subsidy to maintain the district. The midyear analysis indicated a beginning Fund Balance on May 28, 2019 of \$1,010,959.

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 \$802,824. The revenue deficit of \$260,225 requires a General Fund Contribution to maintain services at the current level. The midyear analysis indicated a beginning Fund Balance on May 28, 2019 of \$166,707. Even with the City's General Fund contribution of \$260,225, additional services and activities, including those associated with tree maintenance, replacements and rehabilitation, will need to be 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"):

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 \$1,075,795 resulting in a deficit of \$273,684, that staff proposes to fund from the LLMD2 Reserve Fund. Due to an increase in maintenance of new annexations and increased costs for the new tree trimming maintenance contract including minimum wage and prevailing wage increases, the current assessment level will not be sufficient. In maintaining the rates below the Maximum Assessment Rate allowable and the need to utilize the reserve funds, the operational reserves have been reduced below the 50% in reserves to cover operational cost. The available Reserve Fund (Fund 224) balance is \$244,356, which is approximately 23%.

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 rates were frozen at below the Maximum Rate allowable per Zone. Through this process, the operational reserves have been reduced below the 50% in reserves to cover cash flow for the first half of the Fiscal Year before city receives the County's first installment payments in January. 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.

Licensing

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

**RECOMMENDATION:**

Staff recommends that the City Council:

- Adopt Resolutions ordering the preparation of Engineer's Reports for Street Light Maintenance

District No. 1, Landscape Maintenance District No. 1, and Landscaping and Lighting District No. 2.

- Adopt Resolutions giving preliminary approval of the Engineer's Reports for Street Light Maintenance District No. 1, Landscape Maintenance District No. 1, and Landscaping and Lighting District No. 2, and the levy and collection of annual assessments related thereto for Fiscal Year 2019/2020.
- Adopt Resolutions declaring the City Council's intention to conduct a Public Hearing on July 9, 2019, on Street Light Maintenance District No. 1, Landscape Maintenance District No. 1, and Landscaping and Lighting District No. 2, and to levy and collect annual assessments related thereto for Fiscal Year 2019/2020.