



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: AUGUST 4, 2020

DEPARTMENT: PUBLIC WORKS DEPARTMENT

FROM: DAVID JACOBS, PW DIRECTOR

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TITLE: ANNUAL LEVY OF ASSESSMENTS FOR LANDSCAPE & MAINTENANCE DISTRICTS

RECOMMENDED MOTION:

A motion to approve the twelve resolutions approving engineers' reports and levying of annual assessments for the landscape maintenance assessment districts

RECOMMENDATION:

It is recommended that City Council approve resolutions approving the Engineer's Report and ordering the annual levy and collection of assessments for the Airport Business Center Landscape Maintenance District, and the North/East Area, Harden Ranch, Vista Nueva, Mira Monte and Monte Bella Maintenance Districts

EXECUTIVE SUMMARY:

There are six landscape maintenance assessment districts (LMAD) within the City of Salinas that were created under the Landscaping and Lighting Act of 1972 (the Act), adopted locally in the Salinas Municipal Code. The Act allows property owners to assess themselves within a specific area, or "district" in order to generate funds for various improvements within the district. Council adopted the necessary resolutions in June and set public hearings in order to approve the engineer's reports and the levying of assessments in order to meet the assessment roll due date to the Monterey County Assessor's Office.

BACKGROUND:

There are six landscape maintenance assessment districts (LMAD) within the City of Salinas that were created under the Landscaping and Lighting Act of 1972 (the Act), and adopted locally in Article II, Chapter 21C of the Salinas Municipal Code. The Act allows property owners to assess themselves within a specified area, or "district" in order to generate funds for installing, maintaining, and servicing public lighting, landscaping, and improvements in their neighborhood. The City renews these assessments annually. On June 9, 2020, City Council approved resolutions to initiate the process. Public notices of the public hearings are required and were published in The Monterey Herald following the Council's June 9, 2020 approval.

As stated in the June 9, 2020 report to City Council, the North/East District assessment will increase 1.6%, the annual inflation factor based on the Engineer's News-Record (ENR) average construction cost index of twenty (20) cities, which is published each April in ENR's construction economics issue. All other districts' assessments will remain the same.

Below is a summary of the assessment rates for Fiscal Year 20/21. Rates do not include the \$10.00 per parcel collection fee.

| DISTRICT | FY 2019/2020 RATES | PROPOSED 2020/2021 RATES |
|-------------------------|---|---|
| Airport Business Center | \$217.49 per acre | No Change |
| North/East | \$201.83 per Low Density unit \$120.99 per Medium Density unit \$ 80.73 per High Density unit | \$205.06 per Low Density unit \$122.92 per Medium Density unit \$ 82.02 per High Density unit |
| Harden Ranch | \$66.72 per unit \$353.66 per acre | No change |
| Vista Nueva | \$600.00 per parcel | No change |
| Mira Monte | \$594.74 per parcel | No change |
| Monte Bella | \$802.20 per parcel | No change |

Local agency assessment rolls must be sent to the Assessor's Office by August of each tax year in order for the parcel levies to be billed and collected.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The Staff recommendation supports the Council Goal of maintaining Operational Efficiencies.

DEPARTMENTAL COORDINATION:

Public Works Department's Engineering and Maintenance Divisions work cooperatively to manage the District's budget and oversee the Districts' day-to-day maintenance activities. The Finance Department works closely with Public Works in obtaining and then transmitting the up-to-date levy information to the County for processing.

FISCAL AND SUSTAINABILITY IMPACT:

Based on proposed maintenance district formulas, the total levy to be received (including the City \$10.00 per parcel collection fee) in FY 2020-21 are estimated as follows:

| District | Total Levy |
|-------------------------|--------------------|
| Airport Business Center | \$ 14,468 |
| North/East District | \$832,567 |
| Harden Ranch District | \$155,164 |
| Vista Nueva District | \$ 29,400 |
| Mira Monte District | \$122,762 |
| Monte Bella District | \$719,836 |
| TOTAL | \$1,874,197 |

City Council approved the final maps for Monte Bella Subdivision Phases 5A and 5B in 2017 and 2018 respectively and assessed levies for the first time in Fiscal Year 18-19. On October 8, 2019, City Council approved Phase 6, which includes an additional 78 units, vacant parcels included. These parcels will be assessed this year for the first time increasing the total assessment levy for the district by 9.5% over the previous fiscal year.

Last year the City received 94.1% of the total levy amount billed due to non-payment of assessments sent out with the County property tax bills.

The City has a long-standing financial policy to maintain an operating reserve equal to 50% of maintenance costs, however this policy is “advisory only” and meeting this level of reserves may require increases, in some cases, beyond the inflationary factor allowed by the formula previously approved. For the past few years it has been impossible to maintain this reserve level for both the Airport Business Center and the Harden Ranch Districts. The annual amounts required by the 50% policy and the projected amounts are shown below.

| District | 2020-2021 Operating Budget | Desired Reserves | Fund Balance |
|--------------------|---------------------------------------|-----------------------------|---------------------|
| Airport Bus Center | \$ 16,427 | \$ 8,214 | \$ 7,079 |
| North/East | \$ 634,541 | \$ 317,271 | \$ 527,081 |
| Harden Ranch | \$ 122,807 | \$ 61,404 | \$41,870 |
| Vista Nueva | \$31,890 | \$ 15,945 | \$299,445 |
| Mira Monte | \$ 126,762 | \$ 63,381 | \$312,196 |
| Monte Bella | \$3,371,033 | \$ 1,685,517 | \$2,878,960 |

The Harden Ranch and Airport Business Center Districts’ operating budgets have exceeded assessment revenues for the past several years, however districts have drawn upon available fund balances to maintain current service levels.

Harden Ranch Maintenance District

At the time of formation, in 1991, the assessment fee of \$76.72 per year (including collection fees) was enough to cover maintenance costs. Now, due to inflation, the assessment revenue covers

approximately 30% of the service level that was provided twenty years ago. The landscape maintenance contract was re-negotiated in late 2019 to reduce service levels as needed to balance available revenues and expenditures.

A community meeting was held on November 7, 2019 at the El Dorado Park Community Center. Property owners concluded that they needed more detailed budget information on past expenses, and details of costs associated with the desired amenities, before considering an increase.

Airport Business Center District

In April 2019, Staff met with property owners to gain an understanding regarding the most desired approach to obtaining and maintaining fiscal responsibility. The property owners in attendance concluded that they were interested in including the city-owned parcels along Moffett Street and changing to a different method of spreading assessments; the current formula is based entirely upon acreage and exempts government owned parcels.

Staff will continue working with consultant Harris & Associates to assess the viability of a Proposition 218 ballot measure in order to adjust the assessment rates to fully fund both districts' expenditures which would include a provision for annual escalation of rates to account for inflation.

ATTACHMENTS:

Resolution amending and/or Approving Engineer's report for each District
Resolution ordering the Annual Levy for each District