

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: June 14, 2016

FROM: Gary Petersen, Director of Public Works

BY: Don Reynolds, Assistant Public Works Director

SUBJECT: **SETTING PUBLIC HEARING DATES FOR LEVYING ANNUAL ASSESSMENTS FOR:**

- 1. AIRPORT BUSINESS CENTER LANDSCAPE MAINTENANCE DISTRICT**
- 2. NORTH/EAST AREA MAINTENANCE DISTRICT**
- 3. HARDEN RANCH MAINTENANCE DISTRICT**
- 4. VISTA NUEVA MAINTENANCE DISTRICT**
- 5. MIRA MONTE MAINTENANCE DISTRICT**
- 6. MONTE BELLA MAINTENANCE DISTRICT**

RECOMMENDATION:

It is recommended that the City Council adopt the attached Resolutions ordering an engineer's report, stating its intention to levy and collect an assessment, and setting public hearing dates for levying of annual assessments for the landscape maintenance assessment districts.

DISCUSSION:

There are six landscape maintenance assessment districts (LMAD) within the City of Salinas that were created under the Landscaping and Lighting Act of 1972, adopted locally in Article II, Chapter 21C of the Salinas City Code. The Landscaping and Lighting Act of 1972 allows the 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 annually renews the assessments. Prior to doing so, an Engineer's Report must be ordered and prepared and presented at a public hearing held before annual assessments can be levied. Since staff is not recommending any changes to formulae to how assessments are levied in any of the six existing maintenance districts, the mailing of ballots is not required and pursuant to current assessment procedure, direct notices are also not required. However, notices of the public hearings are required and will be published in *The Salinas Californian*, following Council's approval of the proposed scheduled public hearings.

The formula for calculating assessments in the North East and Mira Monte Districts incorporated an inflationary factor when the districts were formed. The inflationary factors for these districts are tied to the Engineer's News-Record (ENR) cost index. The average of the ENR index for

common labor and material increased 2.55% from calendar year 2015 to 2016. The assessments for the North/East District are recommended to increase accordingly. However, staff does not recommend an increase for the Mira Monte District as sufficient reserves are available.

The Monte Bella Maintenance District formula calls for an inflationary factor to increase in the greater of:

- i) three percent (3%); or
- ii) the percentage increase in the Consumer Price Index (“CPI”), 3.22%; or
- iii) the percentage increase in the ENR cost index, 2.55%.

Four years ago, a ten percent (10%) decrease in this District was approved because the subdivision build-out had slowed. Since that time, home construction has restarted. This District maintains a healthy capital reserve of close to \$3 million dollars for all street improvements and replacement costs if necessary. This year, staff will recommend assessment district funds to address traffic calming and street slurry sealing. Staff will also complete a 15-20-year capital improvement plan to share with the community. This plan will describe the needs moving forward and may lead to subsequent discounted maintenance. This year, staff does not recommend an increase the amount of the assessment due to sufficient reserves for long-term capital improvements to streets, open space/parks, and NPDES storm water requirements.

The formula for the Vista Nueva Maintenance District also includes an inflationary factor, however the assessment rate will not increase this year as the District reached its cap. The inflationary factor, a flat \$12.00 increase per year, not to exceed a maximum total assessment of \$600.00 per year, was originally incorporated in the assessment formula when the district was first created. The maximum total assessment of \$600.00 per year was reached five years ago when the rate increased from \$592.00 to \$600.00 per year.

Harden Ranch Maintenance District does not include an inflationary factor. In 1999, the residents of the Harden Ranch Maintenance District rejected a proposal to increase their maintenance levy. This District is operating in a deficit mode using \$50,000 more than it receives. Based on levels available in reserves, the District may rely on reserves to balance its budget for one more year. The assessments within the District is proposed to remain the same.

The Airport Business Center District has no inflationary factor either, and rejected a proposed increase in 2003. It has been operating at a minimally sustainable rate for nearly 20 years. In addition to controlling costs by managing its water usage, supplemental funds in the amount of \$5,200 were required from the Airport Enterprise Fund in order to balance the budget last fiscal year. This created a small buffer reducing the subsidy from the Airport Enterprise Fund for FY 16/17.

Below is a summary comparing Fiscal Year 15/16 rates to Fiscal Year 16/17 (including the \$10.00 per parcel City collection fee).

DISTRICT	FY 2015/2016 RATES	PROPOSED FY 2016/2017 RATES
Airport Business Center	\$217.49 per acre	No change

North/East	\$181.68 per Low Density unit or, \$109.00 per Medium Density unit or, \$ 72.67 per High Density unit	\$186.31 per Low Density unit \$111.78 per Medium Density unit \$ 74.57 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	\$792.57 per parcel	No change

ISSUE:

Shall the City Council adopt the attached resolutions setting public hearing dates to consider reassessing the properties within the six subject maintenance districts?

FISCAL IMPACT:

Adopting the proposed resolutions has no fiscal impact to the General Fund as each district is entirely self-supporting with no subsidies from the General Fund. Staff continues to diligently seek out cost-saving measures in order to maintain low maintenance costs. Maintenance district landscaping contracts were rebid in 2012, with substantial savings for all districts with the exception of the Airport Business Center District.

Based on proposed maintenance district formulas, the total levy to be received (including the City \$10.00 per parcel collection fee) in FY 2016-17 are estimated as follows:

- Airport Business Center \$ 14,468 Same as FY 2015-16
- North/East District \$761,550 2.55% increase from FY 2015-16
- Harden Ranch District \$155,185 Same as FY 2015-16
- Vista Nueva District \$ 28,890 Same as FY 2015-16
- Mira Monte District \$122,762 Same as FY 2015-16
- Monte Bella District \$565,751 Same as FY 2015-16

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 all of the districts. The annual amounts required by the 50% policy and the projected amounts are shown below for each district.

District	Annual Operating Budget	50% of Annual Maintenance Cost (desired reserves)	Fund Balance 2016/2017
Airport Bus. Cntr.	\$ 20,200	\$ 10,100	\$ 5,219
North/East	\$651,920	\$ 325,960	\$ 252,004
Harden Ranch	\$152,470	\$ 76,235	\$ 128,422
Vista Nueva	\$ 29,240	\$ 14,620	\$ 139,611
Mira Monte	\$121,150	\$ 60,575	\$ 256,379
Monte Bella	\$233,149	\$ 116,574	\$ 2,878,145

Mira Monte has \$143,900 and Monte Bella have \$1,720,830 of capital reserves set aside for street slurry sealing/overlay, playground equipment, and other infrastructure maintenance. The North/East District capital reserve includes \$50,000 set aside for a fenced dog park. Harden Ranch has \$65,000 set-aside for new playground equipment.

TIME CONSIDERATIONS:

Generally, City Council action on the attached resolutions must take place in June, setting public hearings in July, to meet the August 1 assessment roll deadline with the Monterey County Assessor's Office. Local agency assessment rolls must be sent to the Assessor's Office by August 1 of each tax year in order that parcel levies can be billed and collected.

ALTERNATIVES/IMPLICATIONS:

Council may not adopt the resolutions and provide further direction to staff to maintain the public improvements within each district as described herein without the necessary funding.

CONCLUSIONS:

Council is requested to adopt the following resolutions for each maintenance district:

1. A Resolution of Intention ordering the annual levy of assessments and setting a public hearing for July 12, 2016; and
2. A Resolution Initiating Proceedings for each District; and
3. A Resolution Preliminarily Approving the annual Engineer's Report.

Distribution:
City Council
City Manager
City Attorney
Department Directors

Back Up Pages:
Resolutions of Intention
Resolutions Initiating Proceedings
Resolutions Preliminarily Approving the Annual Engineers Levy Report
Engineer's Report for each District is on file with the City Clerk

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