



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: JUNE 6, 2017

DEPARTMENT: PUBLIC WORKS DEPARTMENT

FROM: GARY PETERSEN, PUBLIC WORKS DIRECTOR

THRU: DON REYNOLDS, ASSISTANT PUBLIC WORKS DIRECTOR

TITLE: SETTING PUBLIC HEARING DATES FOR LEVYING ANNUAL ASSESSMENTS - LANDSCAPE & MAINTENANCE DISTRICTS

RECOMMENDED MOTION:

A motion to approve 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

RECOMMENDATION:

It is recommended that the City Council approve Resolutions ordering engineer's reports for the Airport Business Center Landscape Maintenance District, and the North/East Area, Harden Ranch, Vista Nueva, Mira Monte and Monte Bella Maintenance Districts stating its intention to levy and collect an assessment and set a Public Hearing Date for July 11, 2017.

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 Article II, Chapter 21C of the Salinas City 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. Assessments are renewed annually, but prior to levying, an Engineer's Report must be ordered, prepared and presented at a public hearing.

BACKGROUND:

There are six landscape maintenance assessment districts (LMAD) within the City of Salinas: the Airport Business Center Landscape Maintenance District, the North/East Area Maintenance District, the Harden Ranch Maintenance District, the Vista Nueva Maintenance District, the Mira Monte Maintenance District and the Monte Bella Maintenance District. These Districts were created under the Landscaping and Lighting Act of 1972 which 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, 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.

North East and Mira Monte Districts

Upon district formation, the formula for calculating assessments in the North East and Mira Monte Districts incorporated an inflationary factor, which is tied to the Engineer's News-Record (ENR) cost index. The average of the ENR index for common labor and material increased 3.65% from calendar year 2016 to 2017. 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.

Monte Bella Maintenance District

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

- a) Three percent (3%); or
- b) The percentage increase in the Consumer Price Index, (3.79%); or
- c) The percentage increase in the ENR cost index, (3.65%).

Five 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 \$1.3 million dollars for all street improvements and replacement costs if necessary. In 2016-2017, \$250,000 was encumbered under the Job Order Contracting project to complete striping and slurry sealing. This year, staff will recommend assessment district funds to address traffic calming measures. Staff will also complete a 15-20-year capital improvement plan. This plan will describe the needs moving forward and may lead to subsequent discounted maintenance. Staff does not recommend increasing assessment due to sufficient reserves for long-term capital improvements to streets, open space/parks, and NPDES storm water requirements.

Vista Nueva Maintenance District

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. At the time the district was created, 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. The maximum total assessment of \$600.00 per year was reached seven years ago when the rate increased from \$592.00 to \$600.00 per year.

Harden Ranch Maintenance District

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 the maintenance levy. This District is operating in a deficit mode using \$45,000 more than it receives. This past year \$65,000 was expensed to replace deteriorated playground equipment at the playground on Harden Ranch Parkway by Clinton Court. 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 are proposed to remain the same.

Airport Business Center District

The Airport Business Center District has no inflationary factor and in 2003 rejected a proposed increase. It has been operating at a minimally sustainable rate for nearly 20 years. In addition to controlling costs by managing its water usage, \$7,500 in supplemental funds were required from the Airport Enterprise Fund in order to balance the budget last fiscal year.

Below is a summary comparing Fiscal Year 16/17 rates to Fiscal Year 17/18 (including the \$10.00 per parcel City collection fee).

| DISTRICT | FY 2016/2017 RATES | PROPOSED 2017/2018 RATES |
|-------------------------|---|---|
| Airport Business Center | \$217.49 per acre | No Change |
| North/East | \$186.31 per Low Density unit \$111.78 per Medium Density unit \$ 74.57 per High Density unit | \$193.11 per Low Density unit \$115.86 per Medium Density unit \$ 77.30 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 |

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.

STRATEGIC PLAN INITIATIVE:

The staff recommendation supports the Council Goal of Effective, Sustainable Government

FISCAL AND SUSTAINABILITY IMPACT:

Approving 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 2017-18 are estimated as follows:

- Airport Business Center \$ 14,468 Same as FY 2016-2017
- North/East District \$786,737 3.65% increase from FY 2016-2017
- Harden Ranch District \$155,185 Same as FY 2016-17
- Vista Nueva District \$ 28,890 Same as FY 2016-17
- Mira Monte District \$122,762 Same as FY 2016-17
- Monte Bella District \$565,751 Same as FY 2016-17

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.

| <u>District</u> | <u>Annual Operating Budget</u> | <u>50% of Annual Maintenance Cost (desired reserves)</u> | <u>Fund Balance 2017/2018</u> |
|------------------|------------------------------------|--|-----------------------------------|
| Airport Bus Cntr | \$ 20,060 | \$ 10,030 | \$ 14,171 |
| North/East | \$ 720,760 | \$ 360,380 | \$ 63,538 |
| Harden Ranch | \$ 198,870 | \$ 99,435 | \$ 46,786 |
| Vista Nueva | \$ 26,800 | \$ 13,400 | \$ 157,786 |
| Mira Monte | \$ 121,320 | \$ 60,660 | \$ 295,796 |
| Monte Bella | \$ 201,110 | \$ 100,555 | \$ 129,700 |

Mira Monte and Monte Bella have \$143,900 and \$1,342,600 respectively in capital reserves set aside for street slurry sealing/overlay, playground equipment and other infrastructure maintenance.

ATTACHMENTS:

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