



Legislation Text

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SUBJECT: Maintenance Districts Engineer's Reports and Budgets - Fiscal Year 2016/2017

REPORT IN BRIEF

Consider setting a public meeting for Monday, June 6, 2016, to address the proposed Engineer's Reports and budgets. The Council must then conduct a formal public hearing set for Monday, June 20, 2016, before a determination can be made on the level of assessment to be approved.

RECOMMENDATION

City Council - Adopt **Resolution 2016-12**, a Resolution of the City Council of the City of Merced, California, approving the Engineer's Reports and budgets on the various Maintenance Districts and setting a public meeting and a public hearing thereon.

ALTERNATIVES

1. Adopt Resolution approving Engineer's Reports and Budgets on the various Maintenance Districts; set a public meeting for Monday, June 6, 2016, and a public hearing for Monday, June 20, 2016; or,
2. Return to Staff with specific direction; or,
3. Deny.

AUTHORITY

Chapter 26 of Part 3 of Division 7 of the State of California Streets and Highways Code provides the applicable general law for Maintenance Districts; and,

Article I (alternative method for the levy of benefit assessments) of Title 13, Division VIII, of the Merced Municipal Code (MMC) dealing with Maintenance Districts, provides for subsequent modifications to existing Maintenance Districts; and,

Initiative Measure (Proposition 218, Sections 2, 3, 4, 5, and 6) approved at the November 5, 1996, election and also known as the "Right to Vote on Taxes Act," provides for assessment ballot proceedings.

DISCUSSION

The 2016/2017 City Engineer's Reports and Budgets on the various Maintenance Districts have been submitted to the City Clerk's office, as required by MMC Sections 13.62.130 and 13.62.150, and are available upon request for review. Attachment 1 is a summary of the budgets, assessment levies, and abeyances.

After preparation of the budgets, it has been determined none of the Districts require a special ballot

proceeding prior to Council's approval of the various budgets. Several Districts will continue to benefit from available operating reserves, as well as a Consumer Price Index (CPI) increase adjustment of 1.3%.

Fahrens Park II

This particular budget includes \$25,000 in funding for the third phase of the eucalyptus tree maintenance and beautification project. Approximately 400 trees have been identified for inspection, pruning, and removal. They are located on the north and south sides of Buena Vista Drive, between North Highway 59 and Lago Court, including the bike paths along Fahrens and Black Rascal Creeks.

The goal of the project is to ensure these trees are safe and healthy to minimize conflicts with pedestrians, vehicle traffic, and dwellings.

Also, it will enhance the existing character and beauty of the area and naturalistic scenic bike pathways.

The work is anticipated to begin prior to the start of the winter season with all dead, diseased, and hazardous trees or branches removed to include undergrowth and debris.

This project will be a partnership with the California Department of Forestry/Mount Bullion Conservation Camp, private landscape contractor, and Public Works staff.

Campus North and Pleasanton Park

Landscape maintenance services at Campus North and Pleasanton Park Maintenance Districts are currently being performed on a will-call basis as funding allows. Due to the large quantity of mature landscape vegetation within these Districts, as well as the disparity between expenditures and revenue maintaining existing vegetation within available funding continues to be a challenge. Staff will continue to explore ways of reducing expenditures, as well as being proactive in maximizing revenues. Staff will continue to work with volunteer service groups for future cleanup activities.

In addition, maintenance service schedules will remain at reduced levels at the following Districts: Merced Auto Center, Olivewood, and Hansen Park. This is the direct result of the failed assessment ballot proceedings of December 1, 2008.

Staff will continue to monitor these budgets prudently ensuring expenses do not exceed available revenue.

Mansionette

Annual assessments levied against property owners, as well as operating reserves are insufficient to cover on-going landscape maintenance services and storm drain pump utility costs.

In previous years District landscape maintenance services were completed primarily from deposits made by the original developer, Della Wathen. Between Fiscal Years 2003/2004 through 2015/2016 reserve spending totaled \$92,885; averaging \$7,145 annually, please see Attachment 2.

At this time, District reserves are insufficient to cover on-going maintenance services. Currently, the operating fund balance is approximately \$1,024. Therefore, landscape maintenance services will be completed on a will-call basis, and with the assistance of volunteer service groups.

Staff will conduct an assessment ballot proceeding subsequent to the annexations of identified parcels into the Mercy Community Facilities District. This will allow staff to fully analyze the fiscal impact to Mansionette and set the appropriate levy for continued maintenance services on public improvements installed.

Abeyances

At the Council meeting held on February 17, 2015, Council approved the Maintenance District Operating and Capital Reserve Fund policy to determine appropriate reserve levels; and, determine appropriate benefit assessment abeyances for Districts that have reserve balances above that required by the Fund Balance policy.

The maximum reserve necessary to ensure continued operations, improvements, and repairs for individual Districts shall be calculated by adding the following:

1. An amount equal to one year’s operating reserves
2. An amount equal to that necessary to replace foreseeable losses of capital equipment, exclusive of any storm pump specific items contained within the District; and,
3. An amount equal to that necessary to complete any future (unbuilt) planned capital improvement projects.

| Maintenance District Name | Reserve Fund Balance | Recommended 5-Year Abeyance | Reserve Balance After Abeyance | Annual Assessment Per Unit Without Abeyance | Annual Assessment Per Unit With Abeyance |
|----------------------------------|-----------------------------|------------------------------------|---------------------------------------|----------------------------------------------------|-------------------------------------------------|
| Glenhaven Park | \$36,167 | \$15,168 | \$20,999 | \$36.82 | \$7.36 |
| Quail Run | \$94,104 | \$21,758 | \$72,346 | \$21.59 | \$12.59 |
| Sequoia Hill | \$77,136 | \$11,200 | \$65,936 | \$152.82 | \$123.73 |
| Sky Moss | \$67,504 | \$10,701 | \$56,803 | \$217.44 | \$187.63 |
| Total: | \$274,911 | \$58,827 | \$216,084 | \$429 | \$331.31 |

Districts receiving abeyances will be for a period of one (1) to five (5) years and not to exceed 80% of the current assessment levy. The four (4) Districts for which abeyances are recommended will all require five (5) years to reach appropriate reserve levels.

History and Past Actions

Maintenance Districts were originally established to pay for the operation and maintenance costs associated with maintaining storm drainage systems, street lighting, and aesthetically pleasing landscaping to open spaces such as park strips and street center-islands.

Property owners within these identified Districts are levied annual assessments against each lot or parcel of land to cover these expenses.

Proposition 218, enacted by the voters in 1996, requires the City to conduct an assessment ballot proceeding in order to levy increased assessments, beyond the allowed adjustment, based on the United States Department of Labor's All Urban Consumers-Western Region consumer price index (CPI) report.

Each year City Council must hold both a public meeting and public hearing on the various Maintenance Districts' budgets for the coming fiscal year, before final adoption of the budget.

The approval process for Districts with no increase in assessment above the allowable CPI is as follows:

- Public Works Department determines annual budget costs by District;
- City Engineer prepares annual report and assessment spread;
- Council adopts resolution approving Engineer's Reports and sets dates for public meeting and public hearing;
- Council seeks public input at public meeting, but takes no other action;
- Following a public hearing, Council adopts resolution approving, confirming, and adopting Engineer's Reports.

The approval process for Districts with an increase in assessment above the allowable CPI is as follows:

- Public Works Department determines annual budget costs by District;
- City Engineer prepares annual report and assessment spread;
- If the proposed increase in annual assessments is greater than the amount allowed under Proposition 218, then an assessment ballot proceeding must be held. Assessments remain at the previous year's rate, until the legal ballot process is followed.
- Notices and ballots are mailed 45-days prior to the scheduled public hearing. Council holds a public hearing to determine voter approval of increased assessments and the public hearing is continued to a subsequent meeting to allow time to open and tally the sealed ballots.
- Following the "continued" public hearing, Council adopts a resolution approving, confirming, and adopting the Engineer's Reports based on the results of the ballots.

In closing, operating budgets are balanced with available revenue. The CPI adjustment increase to the budgets with previously held successful ballot proceedings will be 1.3%; compared to 1.8% last year.

The City Attorney's office has prepared the necessary resolutions setting a public meeting, public hearing, and abeyances, please see Attachment 3.

Council will have the opportunity to consider a motion on the various budgets following the close of the public hearing on June 20, 2016.

IMPACT ON CITY RESOURCES

The Finance Department has verified sufficient reserves and funding are available.

ATTACHMENTS

1. Budget Summaries
2. Mansionette Reserve Spending
3. Maintenance Districts Resolution