



CITY OF HAYWARD

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Cover Memo

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DATE: July 19, 2016

TO: Mayor and City Council

FROM: Development Services Director

SUBJECT

Adopt Resolutions to Approve the Engineer's Report, Reconfirm Maximum Base Assessments, Confirm the Assessment Diagrams and Fiscal Assessments, Order the Levy and Collection of Fiscal Assessments; and Approve Funding Recommendations and Appropriate Special Revenue Funds for Consolidated Landscaping and Lighting District No. 96-1, Zones 1 through 13, for Fiscal Year 2017

RECOMMENDATION

That the City Council adopts the attached resolutions (Attachment I and II):

1. Approving the Engineer's Report,
2. Reconfirming the maximum base assessments for Zones 1 through 13,
3. Confirming the Assessment Diagrams and Fiscal Assessments,
4. Ordering the Levy and Collection of Fiscal Assessments,
5. Approving the Funding Recommendations, and
6. Approving Special Revenue Funds for Landscaping and Lighting District 96-1

SUMMARY

The annual Engineer's Report (the Report) for Consolidated Landscaping and Lighting District No. 96-1 (the "District"), is included as Attachment III and includes the following information: (1) a description by benefit zone of the improvements to be operated, maintained, and serviced by the District; (2) an estimated budget for each benefit zone for the District; and (3) a list of the assessments proposed to be levied upon each assessable parcel within the District for FY 2017.

The staff recommended FY 2017 assessment rates include three increases (Zones 2, 4, 12), four decreases (Zones 1, 8, 10, 11), and five unchanged (Zones 3, 5, 6, 7, 9, 13) assessment amounts from prior year amounts. As part of establishing the FY 2017 assessment amount, the maximum base annual assessment is evaluated and updated. This amount is the maximum base assessment rate that a parcel in a zone can be charged per year. Two of the benefit zones are proposed to be levied at their maximum base annual assessment rates (Zones 6 and 12), while the assessments for the other eleven zones are proposed to be levied below their maximum base annual assessment rates. Only benefit Zones 3 and 7-13 can have their maximum base annual assessment rates increased each fiscal year based upon the prior year's increase in the consumer price index (CPI). These proposed increases in the maximum base

annual assessment rates are in compliance with the provisions of Proposition 218, because they do not exceed previously established assessment formulas that incorporated an annual CPI adjustment factor.

BACKGROUND

The Landscaping and Lighting Act of 1972 (Streets and Highways Code §22500) is a flexible tool used by local government agencies to form Landscaping and Lighting Districts for the purpose of financing the costs and expenses of operating, maintaining, and servicing landscaping (including parks), and lighting improvements in public areas.

The 1972 Act requires that an annual review and updated Engineer's Report be prepared to set assessment amounts for landscaping and lighting district zones each fiscal year. The assessment amounts may or may not change from fiscal year to fiscal year, depending upon the operation and maintenance needed to be performed in the zone, and the funding levels required for the operating and capital reserves. The assessments cannot exceed the maximum base annual assessment rates established when the zones were originally formed, plus an annual CPI adjustment (if/where applicable).

In 1996, six separate Landscaping and Lighting Districts, Benefit Zones 1-6, were consolidated into one district, Consolidated Landscaping and Lighting District No. 96-1 (the District), by the adoption of Resolution No. 96-63. In subsequent years, Benefit Zones 7-13 were individually created and annexed into the District. Table 1 on the following page provides general information regarding the year in which each benefit zone was formed and the assessable number of parcels within each benefit zone. This staff report and attached Engineer's Report provide benefit, budget, and assessment details for each of the established thirteen zones.

For informational purposes only, three new changes associated with annexations into Zones 12 and 13, and formation of new Zone 14 are listed on the following table as reference only. City Council actions related to these changes involving adoption of resolutions, approval of engineer's reports, and levying of assessments at public hearings occurred in May and June of this year.

TABLE 1: DESCRIPTION OF EXISTING BENEFIT ZONES				
A	B	C	D	E
Zone Number	Name/Location	Year Formed	Type of Development	Number of Assessed Parcels
Current Assessments				
1	Huntwood Ave. & Panjon St.	1990	Residential	30
2	Harder Rd. & Mocine Ave.	1991	Residential	85
3	Hayward Blvd. & Fairview Ave.	1992	Residential	155
4	Pacheco Way, Stratford Rd, Russ Ln, Ward Creek	1995	Residential	175
5	Soto Rd. & Plum Tree St.	1995	Residential	38
6	Pepper Tree Park (assessable linear street frontage)	1982	Industrial	11
7	Mission Blvd., Industrial Pkwy, & Arrowhead Way	1998	Residential	348
8	Capitola St.	1999	Residential	24
9	Orchard Ave.	2000	Residential	74
10	Eden Shores- Resident	2003	Residential	534
11	Stonebrae Country Club (current & future development)	2006	Residential	576
12	Eden Shores- Sports Park	2007	Residential	261
13	Cannery Place	2008	Residential	599
Total Assessed Parcels:				2,910
New Benefit Zones/Annexations for FY 2017 - For Reference ONLY				
12	Spindrifft Annexation	2016	Residential	118
13	Blackstone Annexation	2016	Residential	261
14	La Vista	2016	Residential	179
Total Assessed Parcels:				558

Note: Shaded items are new annexation/zones with assessments established by way of separate City Council reports in presented in May 2016. These items are presented here for reference only.

Table 2 on the following page lists the assessment amounts in FY 2016, the recommended assessment amounts to be levied for FY 2017, and the maximum base annual assessment rates for each benefit zone that were established when the zones were created. As was done for Table 1, information for reference purposes only is provided associated with prior separate actions this year by the City Council related to Zones 12, 13 and 14.

TABLE 2: ASSESSMENT AMOUNTS PER BENEFIT ZONE						
A	B	C	D	E	F	G
Zone Number	Name/Location	Annual CPI Adjustment	FY 2017 Max Base Assessment	FY 2016 Assessment	FY 2017 Assessment	Chg from last year
Current Assessments						
1	Huntwood Ave. & Panjon St.	No	\$295.83	\$265.64	\$175.00	Decr
2	Harder Rd. & Mocine Ave.	No	\$193.39	\$93.08	\$153.58	Incr
3	Prominence - Hayward Blvd. & Fairview Ave.	Yes	\$871.03	\$797.06	\$797.06	None
4	Stratford Village - Pacheco Way, Stratford Rd, Russ Ln, Ward Creek	No	\$180.00	\$121.00	\$145.20	Incr
5	Soto Rd. & Plum Tree St.	No	\$258.67	\$198.50	\$198.50	None
6 ^(1,2)	Pepper Tree Park	No	\$2.61	\$2.61	\$2.61	None
7	Twin Bridges - Mission Blvd., Industrial Pkwy, & Arrowhead Way	Yes	\$911.06	\$563.52	\$563.52	None
8	Hesperian, Capitola St.	Yes	\$651.59	\$250.00	\$150.00	Decr
9	Orchard Ave.	Yes	\$173.98	\$20.00	\$20.00	None
10	Eden Shores- Residential	Yes	\$1,037.44	\$356.20	\$175.00	Decr
11	Stonebrae Country Club (current development)	Yes	\$1,471.46	\$379.42	\$155.96	Decr
11	Stonebrae Country Club (future development)	Yes	\$1,471.46	\$200.94	\$82.60	Decr
12 ⁽¹⁾	Eden Shores- Sports Park	Yes	\$194.98	\$189.26	\$194.98	Incr
13	Cannery Place	Yes	\$1,106.48	\$361.00	\$361.00	None
New Benefit Zones/Annexations for FY 2017 - For Reference ONLY						
12 ⁽³⁾	Spindrift Annexation	Yes	\$194.97	\$0.00	\$194.97	N/A
13 ⁽³⁾	Blackstone Annexation	Yes	\$158.20	\$0.00	\$158.20	N/A
14 ⁽³⁾	La Vista	Yes	\$589.73	\$0.00	\$176.92	N/A

Notes: ⁽¹⁾ Shaded items reflect Fiscal Year 2017 assessment amounts levied at the base maximum assessment amounts.
⁽²⁾ Zone 6 is in the industrial district and is assessed based upon street frontage.
⁽³⁾ Zone 12, 13, 14 are being presented to the City Council separately as new annexations/zones.

DISCUSSION

Recommended changes to a zone’s annual assessment rate are based on the revenue required. Staff recommends an increase in the assessment rate if the zone does not have the recommended level of fund

balance (operating + capital reserves). On the flip side, if the zone has ample funds in its fund balance to fund both the operating and capital reserve, then staff's recommendation is to reduce the annual assessment charge. When reviewing the information for each zone below, there are two items to review and consider.

1. **Maximum Base Assessment (MBA)** - This is the *maximum* amount a property owner is allowed to be charged annually. This amount is established during the original formation of the zone. The only variable between zones is whether or not the original MBA can be increased annually based on an inflation factor, like the Consumer Price Index (CPI).
2. **Assessment Revenue** - This is the amount of funds generated by the annual charge to each property owner located within each zone, minus a county administrative charge (1.7%). The assessment rate recommendation depends on three things:
 - a. Amount of revenue needed to pay annual expenses, which include such things as landscape maintenance, utility expense, and administrative costs. They are estimated each year, based on past years' experience and future year cost estimates.
 - b. Amount of "Operating Reserves" needed. This is the amount of "cash flow" needed for each zone to make expenditure payments each month throughout the year. For example, each zone incurs monthly expenses, but only receives property tax revenue from the county three times a year (December, January, and June). Therefore, some cash is needed to fund operations prior to the first revenue stream being received in December. The amount of operating reserves is set at 50% of the "gross assessment amount," which is the amount of assessment collected prior to the County's 1.7% administrative charge.
 - c. Amount of "Capital Reserve" needed. This amount is established by calculating zone infrastructure items, along with their life span, replacement cost, and future cost based on CPI. For all capital items in each zone (with the exclusion of parks maintained by HARD), the zones are responsible for capital repair and replacement. The capital reserve is established to keep a "savings account" for these anticipated future expenses.

Information and assessment recommendations for each zone are outlined below. Additional zones' details are located in Attachment III.

Zone 1 - Huntwood Avenue & Panjon Street: The FY 2017 per parcel charge **will decrease by \$90.64**, from **\$265.64** to **\$175.00** for FY 2017. This amount is below the maximum base assessment of \$295.83, and is sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be decreased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for the expected level of maintenance, provide adequate cash flow for operating expenses, and to maintain a prudent capital reserve. Current operating and capital reserve balances are sufficient to pay for future replacement of irrigation infrastructure. Therefore, a reduction in the assessment rate is recommended.

Zone 2 - Harder Road & Mocine Avenue: The FY 2017 per parcel charge **will increase by \$60.50** from

\$93.08 to \$153.58 per parcel in FY 2017. This amount is below the maximum base assessment \$193.39, and is sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be increased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for the expected level of maintenance, provide adequate cash flow for operating expenses, and to contribute to and build a prudent capital reserve to be able to maintain and replace irrigation infrastructure.

Zone 3 - Prominence Residential: The FY 2017 per parcel charge **will remain the same** at **\$797.06** per parcel for FY 2017. This amount is below the maximum base assessment \$871.03, and is sufficient for maintaining levels of service and for keeping a reserve balance.

Zone 4 - Hayward Boulevard and Fairview Avenue: The FY 2017 per parcel charge **will increase by \$24.20** from **\$121.00 to \$145.20** per parcel in FY 2017. This amount is below the maximum base assessment of \$180.00, and is sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be increased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for the expected level of maintenance, provide adequate cash flow for operating expenses, and to contribute to and build a prudent capital reserve to be able to maintain and replace various infrastructure items such as irrigation, gates and fences, an asphalt walkway, and a steel bridge.

Zone 5 - Soto Road & Plum Tree Street: The FY 2017 per parcel charge **will remain the same** at **\$198.50** per parcel for FY 2017. This amount is below the maximum base assessment of \$258.67, and is sufficient for maintaining levels of service and for keeping a reserve balance.

Zone 6 - Peppertree Park: The FY 2017 per parcel charge **will remain the same** at **\$2.61** per linear-foot of street frontage for FY 2017. This is the maximum base amount. This amount is sufficient for maintaining levels of service and for keeping a reserve balance. In future years, if there is a need for additional funds, the assessment amount may be increased up to the maximum base assessment amount.

Zone 7 - Twin Bridges Residential: The FY 2017 per parcel charge **will remain the same** at **\$563.52** per parcel for FY 2017. This amount is below the maximum base assessment of \$911.06, and is sufficient for maintaining levels of service and for keeping a reserve balance.

Zone 8 - Capitola Street: The FY 2017 rate **will decrease by \$100.00** from **\$250.00** in to **\$150.00** in FY 2017. This amount is below the maximum base assessment of \$651.57, and is sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be decreased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for the expected level of maintenance, provide adequate cash flow for operating expenses, and to maintain a prudent capital reserve. Current operating and capital reserve balances are sufficient to pay for future replacement of irrigation infrastructure. Therefore, a reduction in the assessment rate is recommended.

Zone 9 - Orchard Avenue: The FY 2017 per parcel charge **will remain the same** at **\$20.00** per parcel for FY 2017. This amount is below the maximum base assessment of \$173.98, and is sufficient for maintaining levels of service and for keeping a reserve balance.

Zone 10 - Eden Shores Residential: The FY 2017 rate **will decrease by \$181.20** from **\$356.20** to **\$175.00** in FY 2017. This amount is below the maximum base assessment of \$1,037.41, and is sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be decreased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for the expected level of maintenance, provide adequate cash flow for operating expenses, and to maintain a prudent capital reserve. Current operating and capital reserve balances are sufficient to pay for future replacement of various infrastructures. The capital replacement plan includes replacement of park facilities, decorative paving, asphalt resurface, and replacement of irrigation infrastructure. Therefore, a reduction in the assessment rate is recommended.

Zone 11 - Stonebrae Development: The FY 2017 rate for current development parcels **will decrease by 59%**, from **\$379.42** to **\$155.96** in FY 2017 (current development), and from **\$200.94** to **\$82.60** in FY 2017 (future development). These amounts are below the maximum base assessment of \$1,471.41, and are sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be decreased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for the expected level of maintenance, provide adequate cash flow for operating expenses, and to maintain a prudent capital reserve. Current operating and capital reserve balances are sufficient to pay for future replacement of irrigation infrastructure, concrete and decorative pathways and paving, entrance sign, and specialty lighting. Therefore, a reduction in the assessment rate is recommended.

Zone 12 - Eden Shores East: The FY 2017 per parcel charge **will increase \$5.72** from **\$189.26** to **\$194.98** per parcel in FY 2017. This amount is at the maximum base assessment of \$194.98, and is sufficient for maintaining levels of service and for keeping a reserve balance. The assessment rate for FY 2017 is recommended to be increased based on the City's analysis of the financial stability of the zone. The recommended assessment rate for FY 2017 will generate revenues that are adequate to pay for expenses and provide adequate cash flow. In past years, the zone's maintenance expenses as submitted by HARD depleted the operating reserve (cash flow needed to pay the monthly bills). In January of 2016, HARD and the City executed a MOU to establish maintenance standards and expected maintenance costs, which will help ensure the operating reserve in the future will be sufficient. In order to properly fund the operating reserve, staff recommends an increase to the annual assessment rate.

Zone 13 - Cannery Place: The FY 2017 per parcel charge **will remain the same** as the FY 2016 amount of **\$361.00** per parcel. This amount is below the maximum base assessment of \$1,106.48, and is sufficient for maintaining levels of service and for keeping a reserve balance.

Proposition 218 Compliance

Proposition 218 states that if the assessments levied do not exceed a previously approved assessment formula, then the assessments are in compliance with Proposition 218. In accordance with the original assessment formulas, the maximum base annual assessment rates for Zones 3 and 7 through 13 have been adjusted based upon the prior year's increase in the CPI and are in compliance with Proposition 218.

For FY 2017, all assessments are proposed to be levied in compliance with Proposition 218 and do not

require the noticing and balloting of property owners to obtain their approval. Any future increases in the assessment amounts that exceed the maximum base assessment amount would require the noticing and balloting of property owners.

FISCAL IMPACT

There is no fiscal impact to the City's General Fund from this recommendation because expenditures are to be paid by the District fund accounts, with some augmentation from operating and capital reserve balances for some zones.

PUBLIC CONTACT

The annual zone property owner information meeting was held on May 19, 2016. A total of 2,910 property owners were mailed a notice, inviting them to attend the information meeting. At the meeting, staff was available to explain the District's responsibilities, base maximum assessment amounts, zone budgets, and funding; and property owners were given the opportunity to ask questions regarding the proposed assessments and services. Three property owners, one from the Twin Bridges neighborhood and two from the Cannery neighborhood, attended the meeting.

As required, at least ten days prior to this public hearing, a legal notice was published once in the *The Daily Review* newspaper on July 8 and all property owners were mailed a notice regarding their FY 2017 zone information. Property owners may also attend and comment during this public hearing.

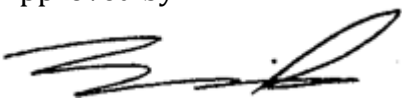
NEXT STEPS

If the City Council adopts the attached resolution, the final Assessor's tax roll will be prepared and filed with the County Auditor's Office no later than the third Monday in August following such adoption, allowing the assessments to be included in the Fiscal Year 2017 tax roll.

Prepared by: Peter Rei, PE, PLS, Contract Development Review Engineer, Development Services Department
Denise Blohm, Management Analyst II, Maintenance Services Department

Recommended by: David Rizk, AICP, Development Services Director
Todd Rullman, Maintenance Services Director

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Resolution Approving Engineer's Report

Attachment II

Resolution Approving Funding Recommendations and
Appropriating Funding for FY 2017
Engineer's Report

Attachment III