

TO: James L. App, City Manager
FROM: Joseph M. Deakin, Public Works Director
SUBJECT: Landscape and Lighting District FY 2003/2004 Levy
DATE: December 3, 2002

NEEDS: For the City Council to consider approving balloting within the Landscape and Lighting District based upon an Ad Hoc Committee recommendation.

FACTS:

1. The City Council formed a Landscape and Lighting District in 1989 to maintain streetlights, hardscapes, detention basins, parkways, median islands, open space, slopes, and other improvements within tract developments.
2. The City began assessing levies under the District in 1993. The District now consists of 75 sub-areas comprised of over 2,500 lots.
3. Each year, the City initiates proceedings to establish a levy for each lot in the District. Once adopted, the Levy Report is transmitted to the County Assessor so that the assessment fees can be included in the Property Tax Rolls.
4. In June 2002, staff reported to the City Council that certain sub-areas are operating in the deficit. The City Council directed staff to research and develop a program to address these sub-areas.
5. The City Council appointed Councilman Nemeth & Picanco to an Ad Hoc Committee to work with staff.

**ANALYSIS
AND**

CONCLUSION: The Landscape and Lighting District (L&L) provides a collective means to attend to common-area facility and landscape maintenance. The idea is to achieve economy of scale by combining maintenance services efforts to separate geographic locations (individually, "sub-area") in a single maintenance contract. L&L funding is determined annually for each sub-area based upon several factors: landscape, lighting and other maintenance expenses associated with the sub-area. Costs are apportioned to the parcels within each sub-area using an equity-based formula.

Each sub-area is intended to be an independently funded project within the L&L District. Each sub-area essentially receives a level of service which the property owners within the particular sub-area fund.

Proposition 218

The flexibility to manage L&L Districts was changed by Proposition 218. By restricting the levy on property value for public services, Proposition 218 limited the maximum annual L&L levy to the maximum historical sub-area levy. For sub-areas in existence prior to Proposition 218, most had maximum amounts that would be quickly eclipsed simply due to cost inflation. Proposition 218 provides that the maximum levy can be established or increased by ballot, in which a two-thirds of the voting ratepayers elect to increase the maximum allowable levy. Ballots to increase maximum levies have not yet been attempted on existing sub-areas. Besides the ballot process to increase the allowable maximum levy, there are two practical alternatives to resolve the shortfall in sub-area funds:

- Reduce maintenance effort (and cost) in the sub-area to eliminate the deficit; or
- Subsidize the deficit from another fund source (e.g. the General Fund).

Fund Balances

The City's Consultant along with staff have reviewed and analyzed the Expense and Revenue Accounting for each sub-area in the District. Numerous sub-areas created before Proposition 218 are in deficit (costs exceed the maximum levy). Over twenty (20) sub-areas affecting 550 lots are in this circumstance.

Ad Hoc Committee

These facts were presented to the Ad Hoc Committee on November 15, 2002. The Committee discussed the options available to the City and concluded that the best option would be to initiate ballot proceedings to increase Landscape & Lighting District levies. This action was favored in lieu of reducing maintenance efforts or subsidizing the deficit from the General Fund. Based upon ballot results, other options may need to be again discussed and evaluated if the ballot measure fails.

POLICY

REFERENCE: City Resolution No. 89-89 which formed the Paso Robles Landscape & Lighting District No. 1; California Proposition 218

FISCAL

IMPACT: The total deficit sum from sub-areas with deficit balances is approximately \$100,000. This calculates to an approximate \$180 annual average increase for each lot. However, exact amount will be determined specific to each sub-area.

OPTIONS:

- a. Direct staff to initiate ballot proceedings for each sub-area in the Landscape & Lighting District that is operating in deficit, timing the proceedings such that the results would be incorporated into the Annual Levy for Fiscal Year 2003/2004.
- b. Amend, modify or reject the above option.