

TO: James L. App, City Manager
FROM: Joseph M. Deakin, Public Works Director
SUBJECT: Landscape and Lighting District
DATE: November 4, 2003

NEEDS: For the City Council to consider adopting a Ballot Procedure for the FY05 Landscape and Lighting District Assessment.

FACTS:

1. The Landscape and Lighting District (L&L) was formed by the City Council in 1989.
2. 35 L&L sub-areas are operating in deficit (expenses exceeding revenues). Of the 35 sub-areas, 20 sub-areas, considered to be less controversial due to the slight increase in their fees needed, were balloted in 2003 to increase fees. 2 sub-areas approved the balloted increase, while 18 disapproved.
3. The first ballot included an annual escalation (based on an indexed cost inflation factor) provision. Many landowners speaking in opposition to the ballot at the Public Hearing were specifically critical of the City combining the annual escalator request with a fee increase (they preferred those issues balloted separately).
4. In July of 2003, an Ad Hoc Committee (Councilmen Nemeth and Picanco) was formed to work with staff on an L&L strategy. On September 19, 2003, the Committee met with staff, and recommended a course of action.

**ANALYSIS
AND**

CONCLUSION: Because 18 sub-areas did not adopt L&L fee increases, and 15 additional sub-areas require balloting to determine a fee increase, the City must consider anticipated revenue shortfall in the L&L enterprise. There are two fundamental choices, and one hybrid, to consider addressing this:

Reduce Services

The services provided in the deficit sub-areas can be reduced to alleviate the deficit. This has the advantage of balancing the sub-area budget. It has the disadvantage of reducing services they may lead to decreased safety, and/or decreased neighborhood aesthetic appeal.

Not Reduce Services (Increase "Goodwill") and Re-ballot

The City could proceed with a deficit situation in the 18 sub-areas (as well as the prospective 15 sub-areas currently in deficit, but not yet balloted) by continuing to provide services as though revenues were sufficient. This is a "goodwill gesture" aimed at gaining support for the L&L and better justifying fees by first establishing value among neighborhood landowners.

The ultimate aim would be to increase fees by a ballot that is more positively received. The ballot would be promoted via public relations efforts highlighting the goodwill established by the work provided to the neighborhoods.

Hybrid – Issue Fee Increase Ballots With a Goodwill Rider

The City could issue ballots for all sub-areas in deficit (the 18 that failed the ballot in April 2003, and the 15 not yet balloted, a total of 33 sub-areas). The City would assure property owners that the City would fund added plantings to restore landscape quality and density to its pristine (newly developed) standard. As much as \$100,000 may be needed to improve the 33 sub-areas to a pristine state.

The ballot for the 33 sub-areas in deficit may be constructed in one of two ways, per the Council's option. The ballot needs to address two issues:

- Immediate fee increase
- Indexed annual cost escalation factor allowance

In the previous ballot, the two were combined on the same ballot, and some criticized this concept. The City could separate these two issues, and ballot separately. However, separate ballots could:

- Confuse the ballot issue
- Result in sub-areas voting yes/no on the different ballots, creating an array of sub-area shortfalls that vary by neighborhood
- Increase balloting costs (for the duplicate balloting and perhaps reballoting)

Conclusion

The Ad Hoc Committee developed the Hybrid Option as the preferred option for Council consideration. There was support from the Committee for a goodwill campaign with the caveat that L&L Landowners agree to ultimately pay their fair share for maintenance costs.

Maintenance costs for FY05 will be available before ballots are issued. The ballot information would provide landowners more specific information on actual anticipated costs, assuming ballots are issued, in January.

POLICY

REFERENCE: None

FISCAL

IMPACT: Under Option A, below, the City offers to fund as much as \$100,000 in unbudgeted landscape improvements.

OPTIONS:

- a. Issue a ballot to the 33 deficit sub-areas in the Landscape and Lighting District with the condition that the City will fund landscape improvements to bring the deficit sub-areas back to their originally developed standard.
- b. Amend, modify or reject the above option.