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MEMORANDUM

Study Session Item #3
Item #4

To: City Council
City of Lemoore

From: Harry A. Tow, City Engineer

Date: March 1, 2006

Re: Adoption of Charter-City Landscaping and Lighting Maintenance District

Discussion: The costs of providing ongoing municipal services to new residential development are greater than the tax revenues from such development.

The City has heretofore adopted and implemented Lighting and Landscape District No. 1 under the State Landscaping and Lighting Act of 1972 as a partial response to this problem. New subdivision developments have been designated as assessment zones and annexed to that District, providing limited revenues for landscaping maintenance which benefit property owners and residents in each particular zone. However, because of the way Lighting and Landscape District No. 1 was set up (discussed below), and because of the limited types of improvements that can be maintained under the State Act, the City has not been capturing the full costs of maintaining local streets, landscaping, lighting and other public improvements that benefit these subdivisions.

The City Council has directed the City Engineer to work with the City Attorney in evaluating the availability and potential effectiveness of an alternative assessment district, special tax district or other mechanism which could provide additional revenues to more fully meet public improvement maintenance and operation costs generated by new subdivisions and other developments. Without the usage of such a district or other alternative mechanism, the City cannot afford to approve further residential development with its associated public streets and facilities.

It was first investigated whether a restructured Lighting and Landscaping Maintenance District under the State Act for new subdivisions could provide cost reimbursement for the maintenance of a wider range of public improvements, including paving maintenance. When this was determined to be infeasible, the City Attorney advised that because Lemoore is a "home rule" charter city under Article 11 Section 5 of the State Constitution, the City may adopt and implement its own maintenance district ordinance to pay, through special assessments, the costs of maintaining and operating a broad range of local public improvements. The City can do this because, as a "home rule" charter city, the City has complete authority to govern its own

municipal affairs (i.e., matters that the courts have not found to be of statewide concern), including funding maintenance of local public improvements, as long as it follows State constitutional requirements. As to its municipal affairs, the City is not limited to following State statutes but can create its own rule.

Therefore, the City Attorney has drafted the attached draft maintenance district ordinance for the Council's consideration. If adopted, the ordinance will establish a procedure for the Council to create City maintenance districts to fund a wide range of local public improvements that are necessary to serve and provide benefits to new subdivisions and other developments. The improvements include, but are not limited to, landscaping, street trees and sidewalks, street lighting, maintenance of local streets, bikeways, park facilities, curbs, medians and other public improvements that benefit new subdivisions. Maintenance costs would be funded by special assessments on individual properties within one or more assessment districts set up under the ordinance. The process for creating the districts would be the same as under the State Landscaping and Lighting Act and Proposition 218. But the list of improvements that can be maintained under these City districts will be much broader than might be allowed under the State statutes.

Such a district can provide much of the needed revenue stream if the actual costs of maintenance of public improvements are assessed against new subdivisions and other development within assessment zones that specially benefit from such improvements.

The unit costs, and thus the total assessments, for the zones in existing Lighting and Landscape Maintenance District No. 1 are less than the actual costs. They did not, when first estimated, include all the essential, and real, assessable cost items, including a proper portion of City overhead costs. Costs first assessed for each zone therein have, in general, not been increased because, under Proposition 218, such increase would have required approval by a majority of the zone's property owners. A charter city maintenance district, established under the attached ordinance, is proposed, in contrast, to assess all costs, including the allocated portion of overhead costs, for the maintenance of all improvements legally and practically assessable under the authorizing ordinance and the City's charter -- street lighting, landscaped medians and parkways, parkway walls, sidewalks, street trees, neighborhood parks and tot lots, curbs and gutters, and pavement on local streets (but not on collectors or arterials). (It should be noted in this regard that the maintenance and replacement of street curb, gutter and sidewalks are already, under State law, abutting property owner responsibility and that the City currently implements this policy. Such implementation, when required because of street tree or drainage-related damage, is an unpopular, high-cost, expense to property owners. Water system and wastewater system/storm drainage system maintenance costs are properly reflected in water and wastewater rates).

The proposed unit costs for the maintenance district under this new ordinance reflect total costs for both required City maintenance and contract maintenance and for appropriate overhead charges. It has been estimated that the annual costs of maintaining public facilities and providing public services (including public safety) to a single-family subdivision in Lemoore exceed \$7,000 per acre; that direct and indirect taxes from such development are about \$2,200 per acre. The total General Fund loss is thus about \$1,200 per residential unit. The assessments under the proposed City maintenance ordinance and district(s) will recoup approximately \$900 per unit of that loss.

The City has conditioned the approval of recently-considered tentative subdivision maps and planned unit developments upon agreement to participate in the proposed maintenance district; other developments are scheduled to be considered for approval at an early date. Upon adoption of this ordinance, the City staff will utilize the unit cost data in the attached City Engineer report to calculate special-benefit assessment levels for each pending development. Zones will be established by Council resolution. Each zone's assessments will be based upon the direct special benefits to property owners in that zone from maintenance of the designated public improvements. Levy of assessments in each zone will be done according to the procedures in the ordinance and Proposition 218, including a mailed-ballot vote by property owners.

Revised unit costs will, as provided in the ordinance, be calculated annually. Unit, and total, costs for each district zone can legally be increased as needed to cover inflationary cost increases in accord with the Government Employment Cost Index published by the U.S. Bureau of Labor Statistics each year after zone formation. This Index is used because a major component of the maintenance costs is the salaries of City employees performing such maintenance (it is also the Index used in the City's Master Fee Schedule). The rate and methodology for assessments in each zone will be structured so that the maximum assessment on each lot or parcel includes an annual increase based on the same index. Actual assessments levied each year will be based on the actual costs calculated in the engineer's report for that year up to, but not more than, the maximum assessment for that year (including the inflationary increase).

The total annual cost retrievable with the proposed ordinance and maintenance district will be in the order of \$900 per single-family residential unit (A calculation for a "typical" subdivision is attached as is a developer's calculation of maintenance- notice the differences).

On Tuesday evening at 5:30 p.m. staff intends to make a detailed presentation of these materials. At 7:30 p.m. the first reading of the attached ordinance has been placed on the Agenda for your consideration.

Recommendation: It is recommended that the Council introduce for first reading Ordinance No. 2006-01 (attached) to establish authority and procedures for setting up City Maintenance Districts for streets, landscaping, lighting and other public improvements.