

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch

**SUBJECT: MAINTENANCE DISTRICT
BUDGET REPORTS FOR
FISCAL YEAR 2023-2024**

DATE: May 15, 2023

Approved



Date

5/22/23

COUNCIL DISTRICTS: 2, 3, 4, 8, & 10

RECOMMENDATION

(a) Adopt resolutions:

(1) Approving the Annual Budget Reports for Fiscal Year 2023-2024 for City of San José Maintenance Districts 1, 2, 5, 8, 9, 11, 13, 15, 18, 19, 20, 21, and 22, as filed or modified by the City Council, and confirming and levying the individual assessments for each Maintenance District, as filed or modified by the City Council; and

(2) Directing the Director of Public Works to deliver the assessment roll to the County of Santa Clara for collection with the property taxes.

(b) Approve an uncoded ordinance approving the Annual Budget Reports for Fiscal Year 2023-2024 for City of San José Maintenance Districts 1, 2, 5, 8, 9, 11, 13, 15, 18, 19, 20, 21, and 22, as filed or modified by the City Council, and to confirm and levy the individual assessments for each Maintenance District specified in the resolutions.

SUMMARY AND OUTCOME

The San José Municipal Code requires City Council approval of a budget report for each of the City's 13 maintenance districts. These districts are authorized to assess the property owners for services that provide "special benefit", and if any "general benefit" is determined, the City must contribute to the district from "generally available funds" to cover that benefit. By consensus of the property owners assessed in these districts, the annual adjustment formulas are not to exceed the average annual change in the Consumer Price Index. The budget table in each report are the same as proposed in the 2023-2024 Operating Budget. Approval of the recommendation provides

the continued maintenance of enhanced public improvements funded through the levy of special assessments.

BACKGROUND

Maintenance Districts deliver services that exceed the City's baseline standards for landscaping. The baseline landscaping standard is supported as a General Fund expense whereas an enhanced standard justifies the additional assessments Maintenance Districts require to deliver the higher level of landscaping services. The City has two landscape design standards for public landscaping described as Type 1 and Type 2. Type 1 is a lower maintenance design which, in general, includes trees and either hardscape, rocks or mulch around the trees without shrubs or ground cover. The Type 1 design is used in landscape areas maintained with the General Fund. Type 2 landscape features are a higher-level design standard that generally includes trees, shrubs, and flowers and could contain other decorative features such as fountains and lakes. Type 2 landscape features are financed through the Maintenance District assessments.

For Type 2 landscape features, the City has established various special districts to provide enhanced services that are not covered by the General Fund. Certain special districts (i.e., maintenance districts) require separate approval of the impending fiscal year budget by City Council and must be accomplished prior to the County of Santa Clara's typical August 5th deadline for placing items on the County of Santa Clara's property tax bills. Although there are other districts (i.e., community facilities districts) that maintain Type 2 landscape, this report only covers the City's maintenance assessment districts which maintain many of the Type 2 public improvements that provide special benefits to the parcels served. Since the maintenance of these enhanced facilities directly benefit the individual parcels within the district, rather than the City as a whole, the maintenance costs are assessed to these same parcels.

There are currently 13 maintenance districts in San José. Each includes an annual inflationary adjuster approved by the property owners in compliance with the San José Municipal Code and current legislation.

ANALYSIS

The San José Municipal Code requires annual City Council approval of a budget report for each maintenance district, confirming the assessments in the report, and directing that the assessments be collected with the County of Santa Clara's property taxes. While these reports must be approved separately, the maintenance district budgets are also included in the City's Proposed Operating Budget.

The 13 maintenance districts included in this action are shown in **Attachment A - Maintenance Districts Location Map** and described in **Attachment B - Maintenance Districts Summary Table**.

Each district's Annual Budget Report for Fiscal Year 2023-2024 will be on file in the City Clerk's Office prior to the City Council meeting. Each report will include:

1. The maintenance budget;
2. A description of the maintenance items and services;
3. Any property configuration-related changes;
4. The annually adjusted assessments;
5. The assessment roll, and;
6. The assessment diagram (map).

Annual assessment adjustment formulas approved by the property owners for these districts allow adjustments that do not exceed the annual change in the San Francisco-Oakland-Hayward Consumer Price Index, which for this upcoming fiscal year is 5.60 percent. None of the City's maintenance districts will exceed this index. Of the 13 districts, 11 will be assessed the maximum assessment.

Current legislation establishes that assessment districts are only authorized to assess for services that provide "special benefit" to a property within the district. The engineer's report for each district formed must therefore identify that "special benefit," and it must also determine any "general benefit" that might exist. If "general benefit" is determined, the City must contribute to the district from "generally available funds" to cover that benefit. Since City standards would require minimally landscaped median islands on some of the streets in Maintenance Districts 2, 8, 9, 11, 15, 19, 20, 21, and 22, a City contribution is required. The median islands in Maintenance Districts 1, 5, 13, and 18 are for decorative purposes only; therefore, no City contribution is required for these districts. In Maintenance District 15, there is an additional City contribution of \$22,118 for the maintenance of stormwater treatment in Zone I. The City previously agreed, in 2012, to allocate this contribution from the Storm Sewer Operating Fund.

The following table lists estimated costs for the minimal landscape maintenance that the City would provide if these maintenance districts did not exist. Accordingly, the City will contribute this same amount to each maintenance district as outlined below:

MAINTENANCE DISTRICT	CITY CONTRIBUTION
2	\$2,408
8	\$2,353
9	\$23,480
11	\$6,354
15	\$38,754*
18	\$5,000**
19	\$6,195
20	\$21,461
21	\$8,996
22	\$35,223

- * In Maintenance District 15, special benefit Zone I includes the maintenance of stormwater quality treatment improvements. Of this amount the City contributes \$22,118 from the Storm Sewer Operating Fund (446) to cover the proportionate share of stormwater treatment associated with the public streets within the zone.
- ** In Maintenance District 18, through the Parks, Recreation, and Neighborhood Services Department maintenance budget, the City will pay the water bill (approximately \$5,000 annually) for joint service to the central area of the district and the City's Metzger Ranch. This will compensate the district for the general benefit landscape maintenance service it provides for the grounds around the Metzger Ranch house and barn, preserved as a City of San José historical site.

Each City Council resolution to approve a district report will also:

1. Confirm that the annual assessment does not exceed the annual change in the Consumer Price Index;
2. Confirm the individual assessments as proposed or as modified by City Council;
3. Direct that any required City contributions be made; and
4. Direct the Director of Public Works to deliver the assessments to the County of Santa Clara for collection with the property taxes.

EVALUATION AND FOLLOW-UP

No additional follow up action with the City Council is expected at this time.

COST SUMMARY/IMPLICATIONS

This City Council action only relates to the property assessments for Fiscal Year 2023-2024. The assessment revenue is shown in the Source and Use of Funds for each district's budget. The budgets are considered by City Council as a part of the City Operating Budget hearings.

1. **AMOUNT OF RECOMMENDATION:** All costs for the maintenance districts will be paid by the property owners within the districts by a direct benefit assessment against each benefiting property with the exception of City general benefit contributions.
2. **COST ELEMENTS FOR FISCAL YEAR 2023-2024:** For all maintenance districts, the total Proposed 2023-2024 budget is:

SOURCE OF FUNDS

Beginning Fund Balances	\$2,484,514
Transfers	
General Fund*	
MD 2	2,408
MD 8	2,353
MD 9	23,480
MD 11	6,354
MD 15	16,636
MD 19	6,195
MD 20	21,461
MD 21	8,996
MD 22	35,223
Storm Sewer Operating Fund	
MD 15	22,118
Revenue	
Interest	46,000
Taxes and Special Assessments	3,289,400
TOTAL SOURCE OF FUNDS	\$5,965,138

USE OF FUNDS

Expenditures	
Non-Personal/Equipment	\$2,142,850
Overhead	255,925
Personal Services	872,075
Transfers	
City Hall Debt Service Fund	4,411
Ending Fund Balances	
Reserve for Encumbrances	5,217
Retiree Healthcare Solutions Reserve	0
Unrestricted	2,684,660
TOTAL USE OF FUNDS	\$5,965,138

*Excludes Maintenance Districts 1, 5, 13, and 18 because the medians in those districts are for decorative purposes only.

Assessment revenue is received from the County of Santa Clara in January and May in approximately equal payments. As the initial amount for each fiscal year is received seven months after the start of that fiscal year, ending fund balances must be large enough to cover

the complete funding of encumbrances for maintenance contracts plus seven months of all other operating costs. All districts have infrequent but major maintenance needs, such as the repair or replacement of fountains or structures, so replacement funds are accumulated in the ending fund balance.

3. SOURCE OF FUNDING: 352 – Maintenance District No. 1 Fund
354 – Maintenance District No. 2 Fund
357 – Maintenance District No. 5 Fund
361 – Maintenance District No. 8 Fund
362 – Maintenance District No. 9 Fund
364 – Maintenance District No. 11 Fund
366 – Maintenance District No. 13 Fund
368 – Maintenance District No. 15 Fund
372 – Maintenance District No. 18 Fund
359 – Maintenance District No. 19 Fund
365 – Maintenance District No. 20 Fund
356 – Maintenance District No. 21 Fund
367 – Maintenance District No. 22 Fund
4. OPERATING COSTS: The recommendations contained in this memorandum are in compliance with the City Council-approved Budget Strategy. Any enhancements to service levels in these districts will be funded by assessments in these districts.

BUDGET REFERENCE

The Maintenance Assessment District Funds specified above are included in the 2023-2024 Proposed Operating Budget.

COORDINATION

This memorandum and related documents were coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Departments of Environmental Services; Planning, Building, and Code Enforcement; and Transportation.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 6, 2023 City Council meeting. The Annual Budget Reports are filed in the City Clerk's Office for public review and will also be made available to the property owners within the districts upon request. Staff is also available to respond to any public inquiries.

HONORABLE MAYOR AND CITY COUNCIL

May 15, 2023

Subject: Maintenance District Budget Reports for Fiscal Year 2023-2024

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COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Categorically Exempt, File No. PP18-060, CEQA Guidelines, Existing Facilities.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

MATT LOESCH

Acting Director of Public Works

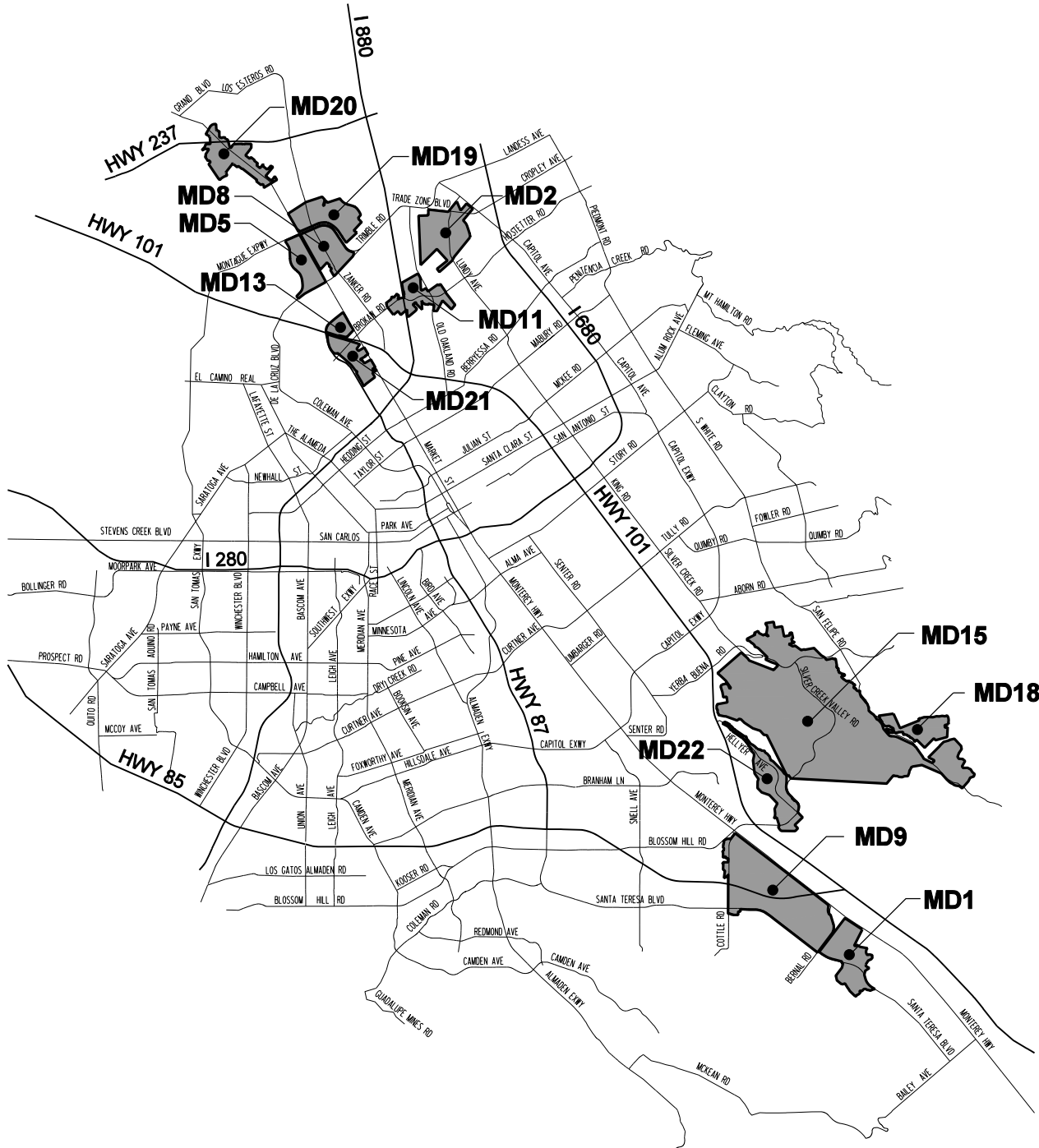
For questions, please contact Stanley Wong, Senior Engineering Technician, at stanley.wong@sanjoseca.gov or (408)535-6833, or Joseph Dyke, Senior Transportation Specialist, at joseph.dyke@sanjoseca.gov or (408)535-6821.

Attachment A: Maintenance Districts Location Map

Attachment B: Maintenance Districts Summary Table

ATTACHMENT A

Maintenance Districts Location Map



ATTACHMENT B
Maintenance Districts Summary Table

DISTRICT NAME & YEAR FORMED	CD*	MAINTENANCE SERVICES	LOCATION / BOUNDARIES	LAND USE	ASSESSMENT LEVY / MAX		GENERAL BENEFIT CONTRIBUTION
MD 1 (Los Paseos) 1979	10	<ul style="list-style-type: none"> • Pedestrian pathway landscape 	<u>North:</u> Monterey Hwy. <u>East:</u> Cheltenham Wy. <u>South:</u> Santa Teresa Blvd. <u>West:</u> Bernal Rd.	Residential / Commercial	\$99,569**	\$99,599**	\$0
MD 2 (Trade Zone – Lundy Ave) 1977	4	<ul style="list-style-type: none"> • Median island landscape • Park strips • Mini parks 	<u>North:</u> Trade Zone Blvd. <u>East:</u> WPRR <u>South:</u> Mc Kay Dr. <u>West:</u> SPRR	Residential / Industrial	\$97,911	\$97,921	\$2,408
MD 5 (Orchard – Plumeria) 1979	4	<ul style="list-style-type: none"> • Median island landscape 	<u>North:</u> Montague Expy. <u>East:</u> N. 1 st St. <u>South:</u> Trimble Rd. <u>West:</u> Guadalupe River	Industrial	\$103,047	\$103,047	\$0
MD 8 (Zanker – Montague) 1980	4	<ul style="list-style-type: none"> • Median island landscape • Park strips 	<u>North:</u> Montague Expy. <u>East:</u> Montague Expy. <u>South:</u> Trimble Rd. <u>West:</u> N. 1 st St.	Industrial	\$126,425	\$126,425	\$2,353
MD 9 (Santa Teresa – Great Oaks) 1981	2 & 10	<ul style="list-style-type: none"> • Median island landscape • Frontage landscape 	<u>North:</u> Monterey Hwy. <u>East:</u> Bernal Rd. <u>South:</u> Santa Teresa Blvd. <u>West:</u> Cottle Rd.	Residential / Industrial / Commercial	\$199,604	\$199,648	\$23,480
MD 11 (Brokaw Rd. – Junction to Old Oakland) 1984	3 & 4	<ul style="list-style-type: none"> • Median island landscape 	<u>North:</u> Fox Ln. <u>East:</u> Ringwood Ave. <u>South:</u> Coyote Creek <u>West:</u> Junction Ave.	Residential / Industrial / Commercial	\$87,119	\$87,119	\$6,354
MD 13 (Karina – O’Nel) 1985	4	<ul style="list-style-type: none"> • Median island landscape 	<u>North:</u> Guadalupe Pkwy. <u>East:</u> N. 1st St.. <u>South:</u> Brokaw Rd <u>West:</u> Hwy 101	Industrial	\$62,710	\$62,710	\$0

* Council District

** MD 1 receives ad valorem tax estimated at \$275,000 from County tax collections.

ATTACHMENT B
Maintenance Districts Summary Table

DISTRICT NAME & YEAR FORMED	CD*	MAINTENANCE SERVICES	LOCATION / BOUNDARIES	LAND USE	ASSESSMENT LEVY / MAX		GENERAL BENEFIT CONTRIBUTION
MD 15 (Silver Creek Valley) 1992	8	<ul style="list-style-type: none"> Trail, slope, and conservation area landscape Median island landscape Sidewalk and parkstrip landscape Stormwater quality treatment measures Enhanced street lighting Sound walls Emergency vehicle access areas 	<u>North:</u> Yerba Buena Rd. <u>East:</u> San Felipe Rd. <u>South:</u> Silver Creek Valley Rd. <u>West:</u> Hwy 101/Hellyer Ave.	Residential / Commercial	\$1,700,862	\$1,960,886	\$16,636 \$22,118***
MD 18 (The Meadowlands) 1998	8	<ul style="list-style-type: none"> Entrance and slope landscape Pedestrian Path Street-side of sound walls 	<u>North:</u> The Villages <u>East:</u> Urban service boundary <u>West:</u> San Felipe Rd. <u>South:</u> Richmond Ranch	Residential	\$102,987	\$128,827	\$5,000****
MD 19 (River Oaks Area Landscaping) 2001	4	<ul style="list-style-type: none"> Median island landscape Parkstrip landscape Special paving 	<u>North:</u> River Oaks Pkwy. <u>East:</u> Coyote River <u>South:</u> Montague Expy. <u>West:</u> N. 1st St.	Residential / Commercial	\$193,670	\$193,673	\$6,195

* Council District

*** Storm Sewer Operating Fund Contribution

**** PRNS maintenance budget pays water bill

ATTACHMENT B
Maintenance Districts Summary Table

DISTRICT NAME & YEAR FORMED	CD*	MAINTENANCE SERVICES	LOCATION / BOUNDARIES	LAND USE	ASSESSMENT		GENERAL BENEFIT CONTRIBUTION
					LEVY	MAX	
MD 20 (Renaissance- North First) 2001	4	<ul style="list-style-type: none"> Median island landscape Frontage landscape Sound walls 	<u>North</u> : Nortech Pkwy. <u>East</u> : Rose Orchard Wy. <u>South</u> : Tasman Dr. <u>West</u> : Guadalupe River	Residential / Industrial	\$72,586	\$72,599	\$21,461
MD 21 (Gateway Place Airport Parkway) 2002	3	<ul style="list-style-type: none"> Median island landscape 	<u>North</u> : Hwy. 101 <u>East</u> : N. 1 st St <u>South</u> : Sonora Ave. <u>West</u> : Guadalupe Pkwy.	Industrial	\$116,418	\$116,425	\$8,996
MD 22 (Hellyer Ave – Silver Creek Valley Road) 2002	2 & 10	<ul style="list-style-type: none"> Median island landscape 	<u>North</u> : Hwy. 101 <u>East</u> : Hellyer Ave. <u>South</u> : Silver Creek Valley Rd. <u>West</u> : Coyote Creek	Industrial	\$82,669	\$82,669	\$35,223

* Council District