



COUNCIL AGENDA: 06/19/18

FILE: 18-788

ITEM: 2.29

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano

**SUBJECT: MAINTENANCE DISTRICT
BUDGET REPORTS FOR
FISCAL YEAR 2018-2019**

DATE: May 29, 2018

Approved



Date

6-7-18

COUNCIL DISTRICTS: 2, 3, 4 & 8

RECOMMENDATION

Adopt resolutions approving and confirming the Annual Budget Reports for Fiscal Year 2018-2019 for City of San José Maintenance Districts 1, 2, 5, 8, 9, 11, 13, 15, 18, 19, 20, 21 and 22 and levying the assessments therein.

OUTCOME

The desired outcome for this proceeding is the continued maintenance of enhanced public improvements funded through the levy of special assessments.

BACKGROUND

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. This 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.

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 Council and must be accomplished prior to the County of Santa Clara's typical August 10th 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

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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 Municipal Code and current legislation.

ANALYSIS

The Municipal Code requires annual 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 and described in Attachment B. Each district's Annual Budget Report for Fiscal Year 2018-2019 will be on file in the City Clerk's Office prior to the 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-San José Consumer Price Index (CPI), which for this upcoming fiscal year is 3.22 percent. None of the City's maintenance districts will exceed this index. Of the 13 districts, only six are assessing the maximum assessment.

Current legislation furthermore establishes that assessment districts are only authorized to assess for services that provide "special benefit" to a property within the district. The engineers 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 District 2, 8, 9, 11, 15, 19, 20, 21, and 22, a City contribution is required. The median islands in Maintenance District 1, 5, 13, and 18 are for decorative purposes only; therefore, no City contribution is made 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 district:

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 the individual assessments as proposed or modified by Council;
2. Direct that any required City contributions be made; and
3. Direct the Director of Public Works to deliver the assessments to the County for collection with the property taxes.

EVALUATION AND FOLLOW-UP

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

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the June 19, 2018, City Council agenda. 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. A notice of assessment and map for each district will be recorded with the County Recorder for public viewing and for title purposes. This will allow each district to be referenced in title searches to inform property owners of the corresponding district. Staff is also available to respond to any public inquiries.

COORDINATION

This memorandum and related documents and resolutions were prepared in cooperation with the Departments of Transportation and Environmental Services, the City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Council-approved Budget Principle in that it utilizes special assessments for enhanced services.

COST IMPLICATIONS

This Council action only relates to the property assessments for Fiscal Year 2018-2019. The assessment revenue is shown in the source and use of funds for each district's budget. The budgets are considered by 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 2018-2019: For all maintenance districts, the total Proposed 2018-2019 budget is:

SOURCE OF FUNDS:

Beginning Fund Balances	\$3,549,587
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	58,400
Taxes and Special Assessments	2,275,900
TOTAL SOURCE OF FUNDS	\$6,029,111

USE OF FUNDS:

Expenditures	
Non-Personal/Equipment	\$2,231,433
Overhead	350,197
Personal Services	875,848
Ending Fund Balances	
Reserve for Encumbrances	130,765
Retiree Healthcare Solutions Reserve	0
Unrestricted	2,440,868
TOTAL SOURCE OF FUNDS	\$6,029,111

*Excludes MD's 1, 5, 13, and 18 because the medians 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.

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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 Council-approved Budget Strategy. Any enhancements to service levels in these districts will be funded by assessments in these districts.

CEQA

File No. PP13-057, landscape maintenance.

/s/

MATT CANO

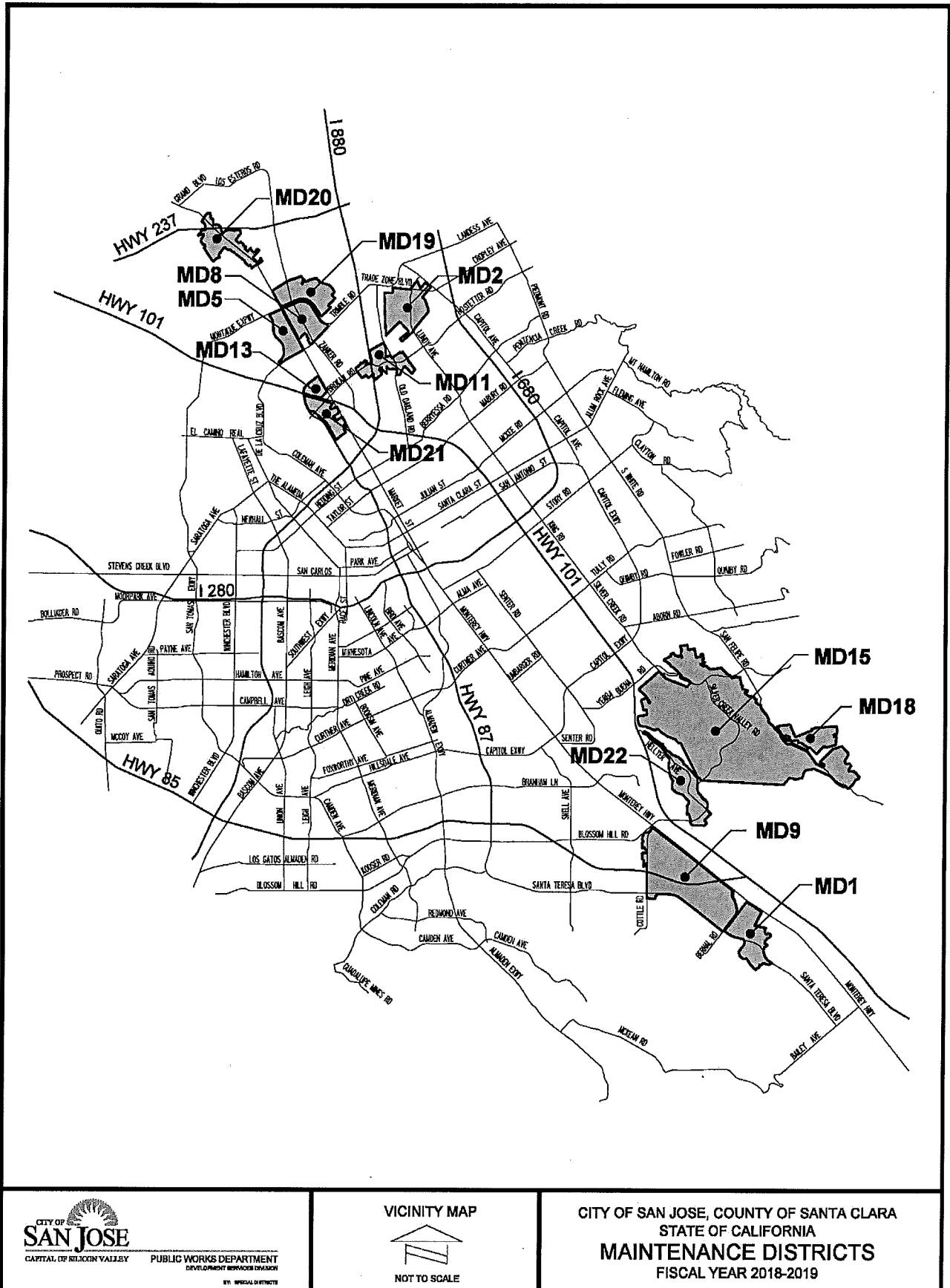
Director of Public Works

Attachment A: Maintenance Districts Map

Attachment B: Maintenance Districts Summary Table

For questions, please contact Thomas Borden, Program Manager, at 408-535-6831.

ATTACHMENT A



ATTACHMENT B

DISTRICT NAME & YEAR FORMED	CD*	MAINTENANCE SERVICES	LOCATION / BOUNDARIES	LAND USE	ASSESSMENT		GENERAL BENEFIT CONTRIBUTION
					NET	/ MAX	
MD 1 (Los Paseos) 1979	2	<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	\$83,713**	\$83,722**	\$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	82,312	82,312	\$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	\$86,620	\$86,620	\$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	\$106,272	\$106,272	\$2,353
MD 9 (Santa Teresa – Great Oaks) 1981	2	<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	\$163,840	\$167,822	\$23,480
MD 11 (Brokaw Rd. – Junction to Old Oakland) 1984	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	\$69,931	\$73,231	\$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	\$52,713	\$52,713	\$0

* Council District

** Includes ad valorem tax estimated at \$210,000 from County collections.

ATTACHMENT B

DISTRICT NAME & YEAR FORMED	CD*	MAINTENANCE SERVICES	LOCATION / BOUNDARIES	LAND USE	ASSESSMENT		GENERAL BENEFIT CONTRIBUTION
					NET	/ MAX	
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	\$940,548	\$1,648,299	\$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	\$102,051	\$108,291	\$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	\$152,818	\$162,809	\$6,195

* Council District

*** Storm Sewer Operating Fund Contribution

**** PRNS maintenance budget pays water bill

ATTACHMENT B

DISTRICT NAME & YEAR FORMED	CD*	MAINTENANCE SERVICES	LOCATION / BOUNDARIES	LAND USE	ASSESSMENT		GENERAL BENEFIT CONTRIBUTION
					NET	/ 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	\$56,018	\$61,026	\$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	\$97,856	\$97,866	\$8,996
MD 22 (Hellyer Ave – Silver Creek Valley Road) 2002	2	<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	\$61,491	\$69,491	\$35,223

* Council District