



City of Placerville MEMORANDUM

DATE: June 28, 2005

TO: City Council

FROM: John Driscoll, City Manager/City Attorney
David Warren, Finance Director

SUBJECT: **RESOLUTION OF APPROVAL OF ENGINEER'S REPORTS FOR CITY
LANDSCAPE, LIGHTING AND MAINTENANCE / ORCHARD HILL
AND COTTONWOOD**

RECOMMENDATION

That the City Council adopt a Resolution approving the Engineer's Reports for Landscaping, Lighting and Maintenance Districts 95-01 (Orchard Hill) and 99-01 (Cottonwood) for Fiscal Year 2005/2006.

BACKGROUND

At the regular meetings of May 24 and June 14, 2005, the City Council adopted Resolutions declaring the intention to provide for annual levy and collection assessments for the City's Landscaping, Lighting and Maintenance Districts (LLMD) as required by Division 15, Part 2, of the Streets and Highways Code of the State of California. The adoption of said Resolutions was Phase 1 of a two-phase process required by the Streets and Highways Code. The Council was provided with the Draft Annual Engineer's Reports detailing the annual assessments; however, the adoption of those Reports requires a public hearing. A copy of the Reports is attached for reference. Public hearing on these Reports is scheduled for tonight's Council meeting.

ANALYSIS

This meeting is essentially Phase 2 of the required process for adopting the Engineer's Reports and levying the assessments. The Engineer's Reports for both Orchard Hill and Cottonwood present a status quo budget and levy calculation. The annual assessments and maintenance budget for the Orchard Hill LLMD have been reviewed by staff and deemed sufficient for the Fiscal Year 2005/2006. In the event that the costs of maintenance exceeded the annual levies,

staff would be required to begin an extensive balloting process as required by Proposition 218 and its implementing legislation.

Staff has also reviewed the assessments and maintenance budget for the Cottonwood LLMD and has determined that they are sufficient for the Fiscal Year 2005/2006. However, Cottonwood LLMD is somewhat unique in that not all of the landscape zones (specifically Duffey Park) have been completed by the developer. Complications leading to delays in completing the Park improvements emanated from several factors not limited to work load issues and staffing shortages in the City's Engineering Division and resultant delays in processing, as well as issues and questions related to the conditions of approval. These issues have been discussed in previous staff reports and are also addressed in a companion issue on the Council's agenda relating to whether or not the Park should be constructed.

As discussed in previous staff reports, the fact that Duffey Park has not been constructed has resulted in a surplus of revenues over expenses for the Cottonwood LLMD. The revenue collected is held in trust in a restricted special revenue fund for the Cottonwood LLMD. Staff has continued to recommend that the levies remain at the level set forth in the Engineer's Reports in anticipation of the Park being constructed. Discussions with special legal counsel has lead to the conclusion that, since the passage of Proposition 218, changes to annual assessments is a complicated process and the most prudent approach would be to maintain a status quo budget and levies.

Until the Park is constructed, revenues will continue to exceed expenditures and, as staff indicated at the time the Engineer's Reports were approved last year, once a reasonable reserve is established, surplus revenues will be refunded to the individual property owners who have paid their assessments.

FISCAL IMPACT

The assessments for the Orchard Hill LLMD will remain constant and, based on staff's experience with that LLMD, revenues will be sufficient to meet maintenance expenses, including a reasonable contingency, for Fiscal Year 2005/2006. However, in order to determine the amount of surplus, if any, to refund the individual property owners in the Cottonwood LLMD, it is necessary to determine a reasonable reserve. Staff has made that determination in part based upon our experiences with the Orchard Hill LLMD.

There are 41 individually-owned parcels within the Cottonwood LLMD and four developer-owned parcels. The 41 individually-owned parcels are assessed annually in the amount of \$99.68. These levies represent 28.7% of the \$14,255.00 total levy. The original Engineer's Report for the planned Cottonwood Park (Duffey) and related open space landscape maintenance areas includes estimated cost of 70% of the cost experience for Orchard Hill. A 4-year average of Orchard Hill LLMD is \$19,894.00. In order to verify that the average annual cost of maintaining the proposed Cottonwood Park and open space landscape area is consistent with the original engineer's estimate, staff calculated 70% of the average annual cost of maintaining Orchard Hill at \$13,925.00. This estimate for cost is consistent with adopted Engineer's Reports and prior levies.

Therefore, in accordance with City policy, staff recommends that the estimated operating reserve be set at 25% plus two year's estimated CPI, or \$3,622.00. Staff further recommends that a capital acquisition reserve equivalent to 3 year's operating reserve be retained.

Based on the above calculations, the staff-recommended operating and capital reserves total \$14,705.00. Since the fiscal year 2004/2005 is not yet closed and all charges for that year have yet to be "booked," the exact amount of the surplus has yet to be determined. Once that amount is determined after the close of the current fiscal year, staff will come back with the exact numbers as to the total revenues collected and the total costs incurred. The amount which staff will propose to refund to the individual property owners will be the total amount collected less costs incurred less operating and capital reserves.

The resulting balance can be declared a surplus and returned to the property owners, with the exception that staff is proposing that that portion of the surplus which would otherwise be refunded to the developer be retained until the Park is constructed. It is also important to note that property owners who are delinquent in the payment of their assessments will not be refunded.

Respectfully submitted,

John Driscoll
City Manager/City Attorney

David Warren
Finance Director