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DATE: May 18, 2011

TO: Honorable Mayor and City Council Members

FROM: Economic and Community Development Department

SUBJECT: **RESOLUTIONS CONFIRMING THE ASSESSMENT FOR FY 2011-12, AND ORDERING THE ASSESSMENTS TO BE LEVIED FOR FY 2011-12 FOR THE OCEANSIDE LIGHTING DISTRICT, ASSESSMENT DISTRICT NO. 2-1991; AND APPROVAL OF THE TRANSFER OF \$390,000 IN GAS TAX FUNDS, \$10,000 IN ENERGY FEES AND \$24,902 FROM THE OCEANSIDE LIGHTING DISTRICT FUND BALANCE**

**SYNOPSIS**

The Landscaping and Lighting Act of 1972 requires the annual renewal of the Citywide lighting district in order to levy and collect assessments for the following fiscal year. To accomplish the renewal, the City Council must hold a public hearing and adopt resolutions confirming the diagrams and assessments, and ordering the assessments to be levied for FY 2011-12 for the Oceanside Lighting District, Assessment District No. 2-1991; and approve the transfer of \$390,000 in Gas Tax Funds, \$10,000 in Energy Fees and \$24,902 from the Oceanside Lighting District Fund Balance to support the District.

**BACKGROUND**

The Oceanside Lighting District ("District") was formed in 1991 pursuant to the authority granted by the Landscaping and Lighting Act of 1972 of the California Streets and Highways Code. The formation of the District eliminated the eight separate lighting districts covering various sections of the City of Oceanside ("City"), and provides the means to finance the operation and maintenance of the street lighting system on the public streets within the City.

Each year the City Council is required to conduct a public hearing regarding the proposed fiscal year assessments to be levied within the District. The public hearing provides all interested persons an opportunity to be heard, either in writing or orally at the public hearing, regarding the renewal and assessments. Since the formation of the District the assessments for the property owners within the District have remained the same.

**ANALYSIS**

As part of the public hearing process regarding the proposed FY 2011-12 assessments to be levied within the District, after consideration of the evidence submitted, the City

Council is requested to adopt resolutions confirming the diagram and assessments for FY 2011-12. Since changes have not been made to the Engineer's Report that was approved by the Oceanside City Council on April 20, 2011, the City Council is not required to approve a Modified Engineer's report. (The Engineer's Report is attached to this report for reference.) The assessments are based on a formula containing costs associated with both general and local benefit zones as shown in Exhibit B of the Engineer's Report.

The general benefit zone is comprised of the streetlights located on the prime, major and secondary arterials. The general benefit zone costs, which include the City's share of the state freeway and highway lighting costs for these streets, are assessed against each parcel of land within the District. The local benefit zone is comprised of property which fronts or adjoins a collector or local street. Property within this zone is assessed its proportionate share of the costs associated with the lighting system as well as its share of the general benefit zone costs.

The benefit units assigned to a parcel are based on similar factors used to calculate the City's thoroughfare fees. The use of the property is the determining factor in the corresponding benefit unit assignment. Single-family residential homes are assigned 10 benefit units whereas shopping centers are assigned 500 benefit units per acre.

An itemized outline of District costs, including the calculation of the average annual assessment per benefit unit, is summarized in the Engineer's Report and in Exhibits A, B and D. Exhibit C of the Engineer's Report includes the proposed assessments to be levied against each lot and parcel of real property within the District. Exhibit C is available for review in the City Clerk's office.

The City Council is required to conduct a public hearing regarding the proposed FY 2011-12 assessments to be levied within the Oceanside Lighting District. The public hearing provides all interested persons an opportunity to be heard, either in writing or orally at the public hearing, regarding the renewal and assessments.

### **Alternative Analysis**

The current amount of revenue generated from the levy of the annual assessments is not sufficient to cover the cost to effectively operate and maintain the street lighting system within the City. In addition to operating and maintenance costs, the assessments are also used to pay off a 20-year debt created through the sale of Certificates of Participation. The proceeds from the sale of the Certificates of Participation were used to purchase the streetlights formerly owned by San Diego Gas and Electric Company. The annual debt service is approximately \$250,827. The debt is scheduled to be satisfied in 2015.

The assessments levied within the District have not been increased since 1991, the year the Citywide lighting district was formed. A single-family residence is assessed \$15.80 annually. Although the assessment revenue has not increased since 1991, the District expenditures have increased over the years. Electric consumption is one of the largest components of the overall expenditures that have steadily increased. Currently, the cost to provide electricity to operate the approximately 8,299 streetlights within the City boundaries is about \$61,000 a month. Also, as new development occurs, additional streetlights that are installed add to the operational expenses

**Table: 1**

<b>Revenue</b>		
• Annual Assessments	\$1,109,966	
• Energy Fees	\$ 10,000	
• Interest	\$ 3,000	
• Transfer From Gas Tax	\$ 390,000	
• Transfer From Fund Balance	<u>\$ 24,902</u>	
Balance		\$1,537,868
<b>Expenses</b>		
• Personnel	\$ 44,909	
• Material/Operating	\$ 9,000	
• Radio Network	\$ 1,600	
• Utilities/Traffic Signals	\$ 815,000*	
• Interfund	\$ 6,532	
• Debt	\$ 250,827	
• Transfer To Street Lighting Maintenance	<u>\$ 410,000</u>	
		<u>\$1,537,868</u>
Difference (Surplus/Shortfall)		\$ 0

\*Total Expenses Without Energy Reserves

Prior to FY 2003-04, the District relied on its reserve fund to offset the increase in each fiscal year's operating costs in order to balance each year's operating budget. At the end of FY 2003-04 the reserve fund alone was not enough to balance the budget, and the District has relied on other funding sources (i.e., gas tax fund) to balance the budget. Funding alternatives need to be explored in order to address the District's current and anticipated future annual shortfalls and to begin replenishment of the reserve fund.

Alternatives are as follows:

- 1) Increase assessments in the District

Prior to 1996, only City Council action was needed to approve an assessment increase. When "The Right to Vote on Taxes Act" (Proposition 218) was passed in 1996, the Act limited the way local governments could generate revenue by imposing a requirement that voter approval (by a mailed ballot) was needed to increase any existing assessments. Accordingly, any increase in the assessment amount within the District will require a majority vote of the affected property owners.

#### 2) Form an overlay lighting district

Create an overlay (i.e., additional) district over the existing District in order to address the annual shortfall. Again, the affected property owners would be asked to cast a ballot. However, instead of an increase in the existing assessment they would be asked to approve an additional annual assessment in the amount of the shortfall. This alternative would allow the existing District assessment to remain unchanged yet provide the funds necessary in order to offset the shortfall should the overlay proposal pass.

#### 3) Gas Tax Funding source and/or other source

The City Council can decide to use other City funds to offset the annual deficiency in the District budget. For example, inasmuch as the costs for operating and maintaining traffic signals are included in the District's annual budget, additional Gas Tax revenue has been utilized in the past. As previously mentioned, staff is recommending that the Gas Tax Fund in addition to the fund balance offset the additional District shortfall in FY 2008-09.

#### 4) Reduction of services

In lieu of increasing revenue to offset the shortfall, the District could reduce expenditures. An example of an expenditure savings would be a reduction of services. A reduction of services would include turning off lights in various sections of the City and/or replacing higher wattage streetlights with lower wattage. Staff would have to provide a detailed analysis to determine the cost savings and effectiveness of these options should this alternative be recommended by the City Council.

### **FISCAL IMPACT**

The annual assessments are entered on the property tax roll, collected by the County of San Diego and deposited into the lighting district's account. The total amount of the assessments levied for FY 2011-12 is anticipated to be \$1,109,966 and the expenditures for FY 2011-12 are estimated at \$1,537,868 without an energy contingency reserve.

In addition to the assessments of \$1,109,966, the budgeted revenues for the Lighting District Fund 221 include a transfer of \$390,000 from the Gas Tax Fund and an additional \$10,000 from Energy Fees. In order to meet the Engineer's estimate of expenditures, \$24,902 has been budgeted in the Oceanside Lighting District (320317221) from the Unassigned Fund Balance in 221 as part of the FY 2011-12 budget process.

**COMMISSION OR COMMITTEE REPORT**

Does not apply.

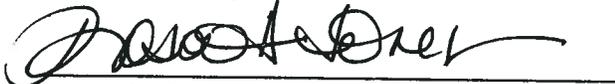
**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

**RECOMMENDATION**

The Landscaping and Lighting Act of 1972 requires the annual renewal of the Citywide lighting district in order to levy and collect assessments for the following fiscal year. To accomplish the renewal, the City Council must hold a public hearing and adopt resolutions confirming the diagrams and assessments, and ordering the assessments to be levied for FY 2011-12 for the Oceanside Lighting District, Assessment District No. 2-1991; and approve the transfer of \$390,000 in Gas Tax Funds, \$10,000 in Energy Fees and \$24,902 from the Oceanside Lighting District Fund Balance.

PREPARED BY:



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SUBMITTED BY:



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City Manager

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Douglas E. Eddow, Real Property Manager

Scott O. Smith, City Engineer

Teri Ferro, Financial Services Director



1 RESOLUTION NO.

2 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
3 OCEANSIDE, CALIFORNIA, CONFIRMING THE 2011-2012 FISCAL  
4 YEAR DIAGRAM AND ASSESSMENT FOR THE OCEANSIDE  
5 LIGHTING DISTRICT, ASSESSMENT DISTRICT NO. 2-1991

6 WHEREAS, pursuant to the Landscaping and Lighting Act of 1972, Part 2 of  
7 Division 15 of the California Streets and Highways Code of California, Section  
8 22500 et seq., hereinafter referred to as the "Act", the City Council of the City of  
9 Oceanside adopted Resolution No. 11-R0312-1 declaring its intention to levy and  
10 collect assessments for fiscal year 2011-2012 to pay the maintenance, operations  
11 and administrative costs for appurtenant improvements within the Oceanside  
12 Lighting District, Assessment District No. 2-1991;

13 WHEREAS, said resolution also set a public hearing for May 18, 2011, at  
14 6:00 p.m., or as soon thereafter as possible, in the City Council Chambers located  
15 at 300 North Coast Highway, Oceanside, California, as the time and place to hear  
16 protests and objections to the proposed assessment and the renewal of said  
17 district.

18 WHEREAS, the City Clerk of the City of Oceanside has given notice of said  
19 hearing by publishing the resolution of Intention, as required by Section 22626  
20 of the Act;

21 WHEREAS, the Engineer's Report for the Oceanside Lighting District was  
22 approved by the Oceanside City Council on April 20, 2011, and no changes have  
23 been made to that report.

24 WHEREAS, said Report, on file with the City Clerk of the City of Oceanside,  
25 contains a full and detailed description of the boundaries of the assessment district,  
26 the proposed assessments to be levied against each assessable lot or parcel of  
27 land within the district, and a description of the improvements to be maintained or  
28 modified;

1           WHEREAS, the City Council of the City of Oceanside adopted Resolution No.  
2 11-R0311-1 which approved the Engineer's Report regarding the district's  
3 proposed 2011-2012 costs and assessments;

4           WHEREAS, the City Council of the City of Oceanside has examined and  
5 considered the proposed assessment in said Report and proceedings prior thereto,  
6 in addition to the evidence presented at said hearing; and

7           WHEREAS, upon completion of said hearing, the City Council of the City of  
8 Oceanside determined that a majority protest did not exist.

9           NOW, THEREFORE, the City Council of the City of Oceanside does resolve  
10 as follows:

11           SECTION 1.           That on May 18, 2011, at 6:00 p.m., said hearing on the  
12 proposed 2011-2012 fiscal year assessment and renewal was duly held, and each  
13 and every step required under the Act and the California Constitution to levy said  
14 assessment and renew said district in the proceedings prior to and including said  
15 hearing has been duly taken.

16           SECTION 2.           That the City Council does determine that the Engineer's  
17 Report, approved by its Resolution No. 11-R0311-1 and the amount of the  
18 assessment rates shown in said Report, should be confirmed.

19           SECTION 3.           That the City Council does determine that the amounts to  
20 be assessed against the individual parcels shown on the assessment diagram  
21 contained in said Report are approved and confirmed, and the City Clerk of the  
22 City of Oceanside is directed to endorse upon the Engineer's Report for the  
23 Oceanside Lighting District its approval and the date thereof.

24           SECTION 4.           The City Clerk of the City of Oceanside is directed to file  
25 said diagram and assessment as required by Section 22641 of the Act.

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1 PASSED AND ADOPTED by the City Council of the City of Oceanside,  
2 California, this \_\_\_\_\_ day of \_\_\_\_\_ 2011, by the following vote:

3 AYES:  
4 NAYS:  
5 ABSENT:  
6 ABSTAIN:

7 \_\_\_\_\_  
8 Mayor of the City of Oceanside

9  
10 APPROVED AS TO FORM:  
11 OFFICE OF THE CITY ATTORNEY

12  
13 ATTEST:

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15 \_\_\_\_\_  
16 City Attorney

17 \_\_\_\_\_  
18 City Clerk

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**Resolution confirming the fiscal year 2011-2012 diagram  
and assessment for the Oceanside Lighting District,  
Assessment District No. 2-1991**