

**Town of Discovery Bay
Community Services District**

**Landscaping and Lighting
District Study**

April, 2019



Harris & Associates

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Overview

The Town of Discovery Bay Community Services District (the "Town" or "CSD") provides a range of services to its residents. This includes maintenance of landscaping within public rights-of-way, including medians, street lighting and park maintenance and recreational services. The Town receives funding from several sources including a portion of the property tax revenue for parcels within Zone 8, assessment revenues from Zone 9, and under an agreement with Contra Costa County the Town also receives a portion of the assessment revenue collected by Landscape District "LL-2", Zones 35, 57 and 61 in exchange for providing maintenance of certain improvements which are owned by the County including street landscaping, street lighting and parks within those zones.

The current revenue collections, whether through CSD assessments or property tax or under the agreement between the CSD and the County, are insufficient to cover the annual costs of maintaining and servicing the improvements, and has caused the postponement of necessary rehabilitation and replacement of certain public improvements. As a result of these circumstances, Harris & Associates ("Harris") has been retained to prepare a study (for the purpose of reviewing the Town's existing funding sources based upon the following options:

- Option 1 - Creating a new assessment District that would include all parcels within the boundaries of the CSD and would supplement existing revenues to provide the funding needed for the maintenance of all CSD facilities and allocate the costs to parcels within the CSD in a fair and equitable manner. The existing County LL-2 Zones would remain in place and the CSD could continue to contract with the County to maintain improvements within the LL-2 Zones.
- Option 2 - Work with the County to dissolve the current LL-2 Zones contingent upon the creation of a new CSD assessment district that would include all parcels within the boundaries of the CSD and would transfer those improvements that are currently being maintained within LL-2 Zones 35, 57 and 61 to the CSD. The new assessment district along with the current property tax revenue received by the CSD would provide the funding needed for the maintenance of all CSD facilities including those County facilities that would be transferred to the CSD under this option.

This Study will provide information and recommendations as to how the Town may best approach these options, ensure fiscal sustainability of the District revenues, and do so in a manner that is compliant with Proposition 218 and the legal landscape that exists today.

This Study outlines the following:

- General Information about Assessments Districts and the current legal landscape
- Review maintenance costs for all improvements within CSD Zones 8 and 9, and the County LL-2 Zones 35, 57 and 61, and provide recommendations for allocating those costs if the County Zones are transferred to CSD management (rather than County)
- Identify actions needed, should CSD request the County to transfer Zones 35, 57 & 61, along with a timeline for completion by July 2020
- Identify all parcels inside or outside the CSD boundaries, that benefit from the improvements in Zone 8 (Community Center and Community Park)
- Identify zones of benefit for a new district that would comply with the requirements of Proposition 218

- Identify level of funding needed to maintain the improvements at the desired level of service, including a replacement reserve fund
- Review the current ad-valorem taxes collected in Zone 8 and provide alternatives for allocating those funds
- Propose an assessment methodology for a new district, inclusive of all current zones (County and CSD managed), and provide model for comparison of alternative rates/methodologies
- Meet with CSD Staff to review findings and determine next steps

The Study should be reviewed to ensure the Town can develop a focused approach to addressing the existing revenue shortfall. The foundation of the Town's approach should be established based upon the following principles and practices: transparency, accountability, efficiency and effectiveness, and industry best practices. The recommendations and suggested next steps outlined in this Study align with these principles and practices, and will support the successful modification of the Zones to ensure fiscal sustainability.

The recommendations outlined in this Study will require the Town to commit resources, which can be recovered through the assessments, and to ensure successful implementation. It is anticipated that the recommendations outlined in this study can be completed by July of 2020. However, the timeline to implement the recommendations outlined in this Study may be dependent upon the County agreeing to transfer Zones 35, 57 & 61 in a timely manner and the Town's time and resources available to commit to this effort.

Background

Public agencies throughout the State of California have been using benefit assessments as one of the tools used to pay for public facilities and services that provide a special benefit to property since the beginning of the 20th century. Since that time, there have been various statutes approved by the legislature that authorize public agencies to collect an assessment to help the agency generate revenue to provide specific improvements and services.

With the passage of Proposition 13 in 1978, the *People's Initiative to Limit Property Taxation*, the proposition successfully added a constitutional amendment to the California State Constitution. In summary, Proposition 13 limited the ability of government agencies to levy ad valorem taxes on real property to one percent of the value and it capped annual property tax increases at two percent¹.

Over the years, the state legislature approved several other statutes authorizing public agencies to establish and collect benefit assessments as a way to fund public improvements and services that provide a special benefit to property. Due to the Proposition 13 property tax limitations, the use of assessments became a widely utilized tool for public agencies in California to fund various types of public improvements and services.

However, since 1978, the California voters have approved three (3) initiatives that further limit the methods by which local governments may raise local revenues, but only one of the initiatives, Proposition 218, will be discussed for the purposes of this Study. In 1996, California voters approved Proposition 218, the *Right to Vote on Taxes Act*.

Proposition 218 amended the California Constitution by adding Article XIII C and Article XIII D, which affect the ability of local government to levy and collect existing and future taxes, assessments, and property-related fees and charges. To that end, Proposition 218 was intended to bolster Proposition 13's limitations on ad valorem property taxes and special taxes by placing new restrictions on the imposition of taxes, assessments, fees, and charges. Since its adoption in 1996, Proposition 218 has been and is likely to continue to be the subject of ongoing litigation, judicial interpretation, constitutional amendment, and statutory clarification².

Landscape & Lighting Act (Streets & Highways Code 22500)

As defined in the Landscape and Lighting Act of 1972, an "assessment district shall consist of all territory which, as determined by the legislative body, will benefit by the improvements that are to be assessed to apportion the costs thereof" and "may consist of all or any part of the territory" within the Agency. The Act also states that the "assessment district may consist of contiguous or noncontiguous areas" and that the "improvements in one area need not be of benefit to other areas". The types of improvements that may be maintained, and incidental expenses that may be funded using assessment revenues are defined in the Act.

The intent in forming a new LLMD which would include all parcels that are within the Town is to provide a dedicated source of funding for the ongoing maintenance of the improvements that is compliant with the Act, the requirements of Proposition 218 and the legal landscape that exists today. The District would fund the maintenance of improvements primarily street lights, and landscaping including both streetscape and non-streetscape improvements, which benefit the residents and property owners within the District. Additional property may be annexed into the District in the future.

Proposition 218 and Recent Court Rulings

Proposition 218 was approved by California voters in November of 1996. Proposition 218 allows for assessments to be levied to fund the cost of improvements and services, as well as the maintenance and expenses associated with such facilities and improvements, all of which provide a special benefit to the property to be assessed. Although the District was formed prior to Proposition 218, below is a high level summary of recent judicial review of assessments in the post-Proposition 218 era in which your modified District will need to comply.

Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space Authority

In July of 2008, the California Supreme Court issued a ruling on the above titled case that provided legal guidance clarifying the requirements of Proposition 218. Some of the most important elements of the ruling have been summarized below for your reference:

- Benefit assessments are for special, not general benefit.
- The services and/or improvements funded by assessments must be clearly defined.
- Special benefits are directly received by and provide a direct advantage to property within an assessment district.
- The courts will take an active role in reviewing challenges to assessments. The courts opined that Proposition 218 made any challenge to assessments a constitutional issue.

Town of Tiburon v. Bonander

In December of 2009, the 1st District Court of Appeal overturned an assessment approved by property owners to place overhead utility lines underground in an area of the Town of Tiburon. The court invalidated the assessment on the grounds that the assessments had been apportioned to assessed property based in part on the costs assigned to specific zones or areas within the boundaries of the district, instead of apportioning the costs based upon proportional special benefit. Meaning, the costs associated with improvements and services don't matter related to apportioning the costs to property owners, only benefit matters when apportioning the total costs.

Beutz v. County of Riverside

In May of 2010, the 4th District Court of Appeal issued a decision on an appeal to a ruling of the above titled case. This decision overturned an assessment for park maintenance, primarily because the general benefits associated with improvements and services were not clearly calculated, quantified, nor separated from the special benefits.

Golden Hills Neighborhood Association v. CSD of San Diego

In September 2011, the San Diego Court of Appeal issued a decision on the appeal of the above referenced case. This decision overturned an assessment for street and landscaping maintenance in a neighborhood in San Diego, California. The court identified two primary reasons for its decision. First, like in Beutz, the court found the general benefits associated with the services were not explicitly calculated, quantified, nor separated from special benefits. Second, the court found that the CSD had failed to record the basis for the assessment on its own parcels.

Town Improvements and Services

This section reviews the improvements that are within the Town. As noted, some of the improvements are being funded by Town funds while others are being funded using revenues remitted to the Town by the County under an agreement between the Town and the County for maintenance of improvements that are within the zones of LL-2 that include areas within the Town.

Street Lighting

The Street Lighting improvements may generally be described as the public street lighting located within the public right-of-way and adjacent to parcels within the District. Services funded include the continued maintenance and operation of street lights which were installed by the developer during the development of the parcels within the CSD, including the operation, servicing and maintenance of street lighting and appurtenant facilities, including but not limited to, personnel, electrical energy, contracting services, and other items necessary for the satisfactory operation of these services as further described below:

- Poles, fixtures, bulbs, conduits, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide safety lighting and traffic signals in public street and sidewalk rights-of-way and easements within the boundaries of the CSD. Servicing of the street lights shall be furnished by Pacific Gas and Electric Company ("P.G.&E.") or its successors or assignees and shall be adequate for the intended purpose. Rates for power and maintenance shall be authorized by the Public Utilities Commission, State of California.

- Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the public lighting facilities or appurtenant facilities.
- Servicing means the maintenance of any of the public lighting facilities or appurtenant facilities and the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or appurtenant facilities. Servicing also may include materials, vehicles, equipment, capital improvements and administration costs associated with the annual administration and operations of the street lights.

Landscaping Improvements

The landscaping improvements may include, but are not limited to:

- *Median Landscaping* – includes the landscaped materials (plants, shrubs and ground cover), trees, irrigation and hardscape surfaces (pavers, stamped concrete, etc.) within the median islands on the streets within or adjacent to the properties or developments within the boundaries of the CSD.
- *Parkway and Public Landscaping* – includes the landscaped areas within the street right-of-ways or easements that are generally located between the back of the curb and the private property line (sometimes referred to as "side panels"), and any other area of public improvements or areas maintained within the CSD. These areas of maintenance incorporate and include both landscape amenities (shrubs, turf, groundcover and trees), as well as associated irrigation and drainage facilities for that landscaping.
- *Pedestrian Bridges* – includes the regular maintenance and necessary repairs to the pedestrian bridges and pathways located in the current Zone 35.

The landscape improvements typically include ground cover, plants, shrubs, trees, turf, irrigation and drainage systems, entry monuments, decorative lighting, water features and associated appurtenant facilities, all of which are located within various easements, right-of-ways or public properties that comprise the landscaped areas.

Park and Recreation Improvements

The parks improvements and recreation services include the Community Center, community pool, basketball courts, tennis courts, play structures, and several parks located throughout the Town. Generally, these improvements and services may be described as the continued maintenance and operation of parks and park facilities, including the operation, servicing and maintenance of the parks, pool, basketball and tennis courts, etc., and appurtenant facilities, including but not limited to, personnel, electrical energy, contracting services, and other items necessary for the satisfactory operation of these facilities as further described below:

- Landscaping, planting, shrubbery, trees, turf, irrigation systems, hardscapes, fixtures, structures and appurtenant facilities within the parks.

- Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of ornamental or other structures, landscaping, ball fields, play courts and appurtenant facilities within public parks, including repair, removal or replacement of all or any part of the structures, landscaping or appurtenant facilities, providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, mowing, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris, other waste, and pest control; the cleaning, sandblasting and painting of walls and other improvements to remove or cover graffiti.
- Servicing means the furnishing of electricity for the operation of any appurtenant facilities, water for the irrigation and control of the landscaping, and the maintenance of any of the structures, landscaping and appurtenant facilities. Servicing also may include materials, vehicles, equipment, capital improvements and administration costs associated with the annual administration and operations of the Parks.

Also in relation to parks, the County has ownership of a couple of the parks, while the Town maintains ownership of the others. This issue is discussed under "Options for Consideration" on the next page.

Parcels Benefitting from CSD Improvements

All parcels within the CSD boundaries receive Special Benefit from the improvements and services provided. This includes the parcels in the gated golf course community on the south side of Zone 8. Those parcels have access to, and as residents of the CSD, are welcome to use the Community Center as well as Cornell Park. As a result, they receive benefit from those amenities and should be assessed, even though the Town receives a portion of the ad-valorem taxes.

We have reviewed any parcels outside the CSD that might receive benefit from the improvements and services and found none. Most of those parcels adjacent to the CSD are vacant or have an agricultural use and would receive no quantifiable benefit from landscaping or park improvements. There are however, some residential parcels north of Zone 57 that might benefit from the improvements. Further discussion about those parcels will need to take place and the Town Board of Directors should make a determination as to whether those parcels should be included in any new district.

Property Tax Allocation

A portion of the current property tax for parcels in Zone 8 is returned to the CSD for its General Fund. The Town may use those funds at their discretion. While the Zone 8 parcels could be seen as "contributing" to the costs of the Community Center, in reality, they are paying nothing more than the other parcels within the CSD. Every parcel pays their ad-valorem tax, it's just that the CSD gets an apportionment of those taxes from the Zone 8 parcels as a result of Prop 13. The assessment amounts shown in this study include \$300,000 for Community Center operations and maintenance. This will allow the CSD to use the property tax revenue for other purposes, including rehabilitation and/or replacement projects.

Options for Consideration

Two strategies for the formation of a new LLMD are examined as part of this report:

1. **Option 1** – Creating a new assessment District that would include all parcels within the boundaries of the CSD and would supplement existing revenues to provide the funding needed for the maintenance of all CSD facilities and allocate the costs to parcels within the CSD in a fair and equitable manner. The existing County LL-2 Zones would remain in place and the CSD could continue to contract with the County to maintain improvements within the LL-2 Zones.
2. **Option 2** – Work with the County to dissolve the current LL-2 Zones contingent upon the creation of a new CSD assessment district that would include all parcels within the boundaries of the CSD and would transfer those improvements that are currently being maintained within LL-2 Zones 35, 57 and 61 to the CSD. The new assessment district along with the current property tax revenue received by the CSD would provide the funding needed for the maintenance of all CSD facilities including those County facilities that would be transferred to the CSD under this option.
 - i. Benefit levels would be based on the estimated benefit received by the improvements and services provided; Standard or Reduced
 - ii. This approach would be compliant with Proposition 218 and the requirements of proportionality
 - iii. The New District would include an annual escalation factor (C.P.I. or flat percentage), to be discussed and determined.

For Option 2, the Town would also need to work with the County to discuss the transfer of ownership of the parks currently owned by the County (Slifer and Regatta). The Town could also enter into an agreement with the County for the management/maintenance of those parks, similar to the existing situation. Additionally, the areas currently being maintained along the Highway 4 (road right-of-way landscaping) would also need to be discussed and a decision made as to who is responsible for the continued maintenance of that area.

The cost estimates and proposed assessment amounts shown in this Study reflect Option 2 only. If Option 1 is chosen, we would provide cost estimates and proposed assessment amounts for an overlay District which would supplement the existing assessment revenue.

Costs for Facilities, Improvements, and Services

The improvements maintained by the Town were either originally installed as a condition of development or were installed for the benefit of the properties assessed. Generally, the services funded include, the labor, materials, equipment, electric, water and incidental expenses, and any other activity authorized under the Act associated with improvements, public places, services, landscaping, and maintenance necessary to provide the local street lighting, landscaping improvements, and the maintenance and servicing of park improvements.

Harris has completed the cost analysis for the parcels within the Town. Based on our estimate of the costs, which includes street lighting, street landscaping, parks, the community center and a proposed new facility to house vehicles and/or equipment (Capital Facilities), we have developed assessment rates for each improvement type. These assessment rates include costs for capital replacement and an operating reserve for the proposed new District.

The table below shows the full cost estimates, by improvement type. Also included in the cost estimates are Town Administrative Costs, which are calculated at 5% of the annual maintenance costs, and 10% for an Operating Reserve. The Operating Reserve will be collected over a 5 year period until such time as the fund balance is equal to approximately 50% of the annual maintenance costs. This is allowed under the 1972 Act and is for the purpose of funding the District costs for the first six months of the fiscal year, prior to when the Town receives the assessment monies from the County.

The cost estimate for the Capital Facilities is based on the assumption that the Town gets a bank loan (or similar) with annual payments of \$10,000 until paid off.

	Landscaping			Lighting			Parks			Admin	Capital Facilities	Comm. Ctr. Assmnt	Current Annual Assessment
	Annual Maintenance*	Replacement Costs	Total Costs	Annual Maintenance	Replacement Costs	Total Costs	Annual Maintenance	Replacement Costs	Total Costs	Total Admin Costs (15%)			
Zone 8	\$227,561	\$34,481	\$262,042	\$67,470	\$115,333	\$182,803	\$54,640	\$30,819	\$85,459	\$79,546	\$6,042	\$181,262	\$174.91
Zone 9	\$27,568	\$2,394	\$29,962	\$6,240	\$10,667	\$16,907	\$15,725	\$9,979	\$25,704	\$10,886	\$332	\$9,950	\$625.78
Zone 35	\$9,143	\$4,035	\$13,178	\$975	\$1,667	\$2,642	0	\$0	\$0	\$2,373	\$23	\$682	\$2,041.73
Zone 57	\$10,247	\$2,373	\$12,619	\$4,875	\$8,333	\$13,208	\$41,301	\$18,246	\$59,547	\$12,806	\$619	\$18,577	\$231.00
Zone 61	\$84,168	\$16,922	\$101,091	\$11,213	\$19,167	\$30,379	\$37,267	\$19,168	\$56,435	\$28,186	\$2,984	\$89,528	\$150.00
Com. Ctr.	\$300,000		\$300,000										
			\$718,891			\$245,939			\$227,146	\$133,796	\$10,000	\$300,000	

The following pages, show a proposed budget for each improvement type for a New District. The budget pages include County collection fees (1% of the total levy amount) and the amount required to be contributed by the Town's General Fund (or some other source) to account for the General Benefit portion of the costs.

PROPOSED STREET LIGHTING BUDGET

	Option 2 Proposed Budget
Direct Costs	
<u>Street Lighting Maintenance</u>	
Street Light Maintenance (includes utility costs)	\$90,773
Direct Costs Sub-Total	\$90,773
<u>Overhead Costs</u>	
CSD Administration	\$4,539
County Collection Costs	\$2,583
Overhead Costs Sub-Total	\$7,122
Total Direct and Overhead Costs	\$97,895
Capital Reserve Collections/(Reductions)	\$155,167
Operating Reserve Collections/(Reductions)	\$9,789
Total Costs	\$262,851
General Benefit Contribution from CSD	(4,539)
Total Balance to Levy	\$258,313
Street Lighting Benefit Zone Total EBU	5,470.40
2019/20 Proposed Street Lighting Assessment Per EBU	\$47.22

There is only one Option for street lighting as the County, according to the 2018/19 Engineer's Report, does not include street lighting in the improvements for which they charge an assessment.

PROPOSED STREET LANDSCAPING BUDGET

Direct Costs	Option 1 Proposed Budget	Option 2 Proposed Budget
<u>Street Landscape Maintenance</u>		
Streetscapes (Medians and Parkways)	\$310,440	\$358,687
Capital Facility (storage area for vehicles)	\$8,655	\$10,000
Community Center (annual maintenance and operating costs)	<u>\$259,647</u>	<u>\$300,000</u>
Direct Costs Sub-Total	\$578,741	\$668,687
<u>Overhead Costs</u>		
CSD Administration	\$28,937	\$33,434
County Collection Costs	<u>8,237</u>	<u>\$8,237</u>
Overhead Costs Sub-Total	\$37,174	\$41,671
Total Direct and Overhead Costs	\$615,915	\$710,358
Capital Reserve Collections/(Reductions)	\$19,844	\$60,205
Operating Reserve Collections/(Reductions)	\$61,591	\$71,036
Total Costs	\$697,350	\$841,599
General Benefit Contribution from CSD	(15,522)	(17,934)
Total Balance to Levy	\$681,828	\$823,664
Street Landscaping Benefit Zone Total EBU	5,706.40	5,706.40
2019/20 Proposed Street Landscaping Assessment Per EBU	\$119.48	\$144.34

PROPOSED PARKS BUDGET

	Option 1 Proposed Budget	Option 2 Proposed Budget
Direct Costs		
<u>Parks Maintenance</u>		
Maintenance (includes ball fields, playgrounds, sidewalks, etc.)	\$82,946.03	\$148,933
Utilities - Irrigation	0	\$0
Utilities - Electrical	0	\$0
Direct Costs Sub-Total	\$82,946.03	\$148,933
<u>Overhead Costs</u>		
CSD Administration	\$4,147.30	\$7,447
County Collection Costs	\$2,485	\$2,485
Overhead Costs Sub-Total	\$6,632.25	\$9,932
Total Direct and Overhead Costs	\$89,578.28	\$158,865
Capital Reserve Collections/(Reductions)	\$43,559.02	\$78,212
Operating Reserve Collections/(Reductions)	\$8,294.60	\$15,886
Total Costs	\$141,431.90	\$252,963
General Benefit Contribution from CSD	(2,488)	(4,468)
Total Balance to Levy	\$138,943.52	\$248,495
Parks Benefit Zone Total EBU	6,377.84	6,377.84
2019/20 Proposed Non-Street Landscaping Assessment Per EBU	\$21.79	\$38.96

	Option 1	Option 2
Street Lighting Proposed Assessment Rate	\$47.22	\$47.22
Street Landscaping Proposed Assessment Rate	\$119.48	\$144.34
Parks Proposed Assessment Rate	\$21.79	\$38.96
Total Proposed Assessment Rate	\$188.49	\$230.52

Based on the cost estimates shown above and the corresponding assessment rates for Option 2, the assessment rates for the current Zones will be affected as shown on the following table:

Zone	Existing Assessment Rate	Proposed Total Assessment	Difference	Percent Increase/ Decrease
8*	\$174.91	\$230.52	\$55.61	32%
9	\$625.78	\$331.91	(\$293.87)	(47%)
35	\$2,041.73	\$191.56	(\$1,850.17)	(90%)
57	\$231.00	\$230.52	(\$0.48)	<1%
61 ⁽¹⁾	\$150.00	\$134.74	(\$15.26)	(10%)
61 ⁽²⁾	\$75.00	\$23.95	(\$51.05)	(68%)
61 ⁽³⁾	\$150.00	\$331.91	\$181.91	221%

- (1) Developed parcels, inside the gated areas
- (2) Vacant parcels inside the gated areas
- (3) Parcels outside the gated areas

Zone 8 * currently pays no assessment but the Town receives **\$174.91** from each parcel as part of the ad-valorem taxes. The proposed new assessment rate would create a completely new assessment for those parcels. We have also included in the assessments, all commercial, industrial and other non-residential parcels. This Zone will be the "hardest sell", but it is also the Zone that receives the highest benefit due to the proximity of most of the improvements.

Zone 35 currently pays an assessment rate of **\$2,041.73** per acre. This Zone will see a significant reduction to their assessment rate but the assessment amounts will be reduced slightly due to the EDU applied in our Methodology.

Zone 61 currently pays an assessment rate of **\$150.00** per acre. This Zone is unique in that much of the Zone is inside a gated community and has its own amenities, including landscaping, street lighting and some park areas and other amenities. As a result, we reduced the benefit factor for those parcels inside the gated areas of the Zone, resulting in a reduced assessment rate for those parcels. For the developed parcels inside the gated area, the proposed assessment rate will be **\$134.74**, a reduction of approximately 10%. Undeveloped (vacant) residential parcels within the gated areas will receive a proposed assessment of **\$23.95**. It has been determined that vacant parcels receive no benefit for Parks, and will therefore not be assessed for Parks. This represents a decrease to the assessment rate for vacant parcels of approximately 68%.

The parcels in Zone 61 that are not within the gated area are currently paying an assessment of \$150.00, as shown above. Those parcels would receive an increase of approximately 220%.

There are 1,924 parcels in Zone 61, with 1,659 parcels inside the gated areas. This represents 86% of the total number of parcels in Zone 61, meaning 1,659 parcels would receive a lowered assessment and only 264 parcels would see an increased assessment.

TOTAL REVENUE COMPARISON

Zone	Current Total Revenue	Proposed Total Revenue	Difference
8	\$647,691.74	\$867,706.81	\$220,015.07
9	\$127,033.34	\$67,718.63	(\$59,314.71)
35	\$27,420.84	\$19,565.28	(\$7,855.56)
57	\$87,549.00	\$87,367.08	(\$181.92)
61	\$273,975.00	\$290,180.77	\$16,205.77
TOTALS:	\$1,163,669.92	\$1,332,538.57	\$168,868.65

This represents an increase in revenue of approximately 14.50%. Additionally, the proposed assessments include \$300,000 for the annual operations and maintenance of the Community Center, which would “free up” the property tax revenue from the Zone 8 parcels for rehabilitation, replacement, etc. Alternatively, we could remove the annual \$300,000 from the cost estimates.

Proposed Assessment Methodology

The proposed Assessment Methodology outlines the formula by which property that receives special benefit from the improvements and services provided would be assessed annually. The proposed Assessment Methodology for each of the newly proposed zones follows.

Street Lighting Zone

Each parcel within the Street Lighting Zone is deemed to receive special benefit from the street lighting improvements. Each parcel that has a special benefit conferred upon it as a result of the maintenance and improvements are identified and the proportionate special benefit derived by each identified parcel is determined in relationship to the entirety of the costs of the maintenance, operation, and servicing of the improvements.

The method of assessment is based upon a formula that assigns the special benefits to each parcel, adjusted by parcel specific characteristics (i.e. land use, parcel size, dwelling units) and trip generation rates. To assign special benefit, it is necessary to relate the parcel characteristics to each other. The Equivalent Benefit Unit (EBU) method is deemed to be an appropriate and equitable method of spreading special benefit to each parcel based upon property specific characteristics. The EBU method of apportionment uses the single family home as a basic unit of assessment. Every land use is converted to EBU's based on an assessment formula that equates to the property's specific land use type, the size of the property, the number of dwelling units, and trip generation factors. The EBU's are then modified based on the land use benefit and the level of lighting benefit received.

The EBU for each parcel is determined by multiplying the ratio of vehicular trips per day for that parcel as identified in the table below. For example, a single family parcel is deemed to be the basic unit of measurement and all other land uses are compared to such equivalent. Each land-use type has benefit units assigned in the same manner, based on the trips generated by that particular land-use type. This method, along with consideration for the land use benefit and level of lighting benefit determines the total number of EBU for each parcel and for the zone as a whole.

The table provides the variables applied to various land use types as assigned by County use code, to determine each parcel's modified EBU assignment, assuming the parcel receives a lighting benefit.

Land Use	Assessed Unit	Benefit		Landuse	EBU's	Modified EBU's based upon Service Level				
		x Level/Unit (BU)	x Benefit Factor			Standand Lighting (Benefit Factor 1.0)		Reduced Lighting (Benefit Factor 0.5)		
Residential										
SFR	dwelling x 1	x	1	x	1.00 EBU/parcel	1.00	EBU/Parcel	0.50	EBU/Parcel	
SFV (vacant-subdivided)	parcel x .25	x	1	x	1.00 EBU/parcel	0.25	EBU/Parcel	0.13	EBU/Parcel	
Condos	dwelling x 1	x	1	x	1.00 EBU/parcel	1.00	EBU/Parcel	0.50	EBU/Parcel	
Non-Residential	acre x 6	x	1	x	0.35 EBU/acre	2.10	EBU/Parcel	1.05	EBU/Parcel	
Includes: Commercial, Industrial, Church										
Vacant (Un-subdivided)	parcel x 1	x	1	x	1.00 EBU/parcel	1.00	EBU/Parcel	1.00	EBU/Parcel	
Exempt					0.00 EBU/acre	0.00	EBU/Parcel	0.00	EBU/Parcel	
Includes: Roads, Easements, parks, etc.										

Non-Res AC capped at 5 acres

The EBU's for parcels within the Street Lighting Zone will be aggregated and then divided by the cost estimate for the zone to arrive at the initial maximum annual assessment rate per EBU for the Street Lighting Zone.

The actual annual assessment rate and actual assessments levied in any fiscal year will be as approved by the Board of Directors and may not exceed the maximum annual assessment rate for that specific fiscal year without a Proposition 218 compliant increase procedure that is approved by property owners.

Landscaping Zone

Each parcel within the Landscaping Zone is deemed to receive special benefit from the improvements. Each parcel that has a special benefit conferred upon it as a result of the maintenance and the improvements are identified and the proportionate special benefit derived by each identified parcel is determined in relationship to the entirety of the costs of the maintenance, operation, and servicing of the improvements.

The method of assessment is based upon a formula that assigns the special benefits to each parcel, adjusted by parcel specific characteristics (i.e. land use, parcel size, dwelling units). To assign special benefit, it is necessary to relate the parcel characteristics to each other. The Equivalent Benefit Unit (EBU) method is deemed to be an appropriate and equitable method of spreading special benefit to each parcel based upon property specific characteristics. The EBU method of apportionment uses the single family home as a basic unit of assessment. Every land use is then converted to EBU's based on an assessment formula that equates to the property's specific land use type, the size of the property, and the number of dwelling units.

The table that follows provides the variables applied to land use types as assigned by County use code, to determine each parcel's EBU assignment. This table is used as a sample. Actual equivalent benefit units and levels of benefit will be determined and assigned after approval by the Board of Directors.

Land Use	Assessed Unit	Benefit x Level/Unit (BU)	Landuse x Benefit Factor	= EBU's	Modified EBU's based upon Service Level				
					Standand Street Landscaping (Benefit Factor 1.0)		Reduced Street Landscaping (Benefit Factor 0.5)		
Residential									
SFR	dwelling x 1	x 1	x 1.00	EBU/parcel	1.00	EBU/Parcel	0.50	EBU/Parcel	
SFV (vacant-subdivided)	parcel x .25	x 1	x 1.00	EBU/parcel	0.25	EBU/Parcel	0.13	EBU/Parcel	
Condos	dwelling x 1	x 1	x 1.00	EBU/parcel	1.00	EBU/Parcel	0.50	EBU/Parcel	
Developed Non-Residential Includes: Commercial, Industrial, Church	acre x 6	x 1	x 0.35	EBU/acre	2.10	EBU/Parcel	1.05	EBU/Parcel	
Other Includes: Vacant	acre x 1.5	x 1	x 0.35	EBU/acre	0.53	EBU/Parcel	0.26	EBU/Parcel	
Exempt Includes: Parks, Utilities, Roads, Easements, etc.			0.00	EBU/acre	0.00	EBU/Parcel	0.00	EBU/Parcel	

Non-Res AC capped at 5 acres. Golf course capped at 5 EDU.

The EBU's for parcels within the Landscaping Zone will be aggregated and then divided by the initial cost estimate for the zone to arrive at the initial maximum annual assessment rate per EBU for the Landscaping Zone.

Parks Zone

Each parcel within the Parks Zone is deemed to receive special benefit from the park improvements. Each parcel that has a special benefit conferred upon it as a result of the maintenance and operation of improvements is identified and the proportionate special benefit derived by each identified parcel is determined in relationship to the entirety of the costs of the maintenance, operation, and servicing of the improvements.

The method of assessment is based upon a formula that assigns the special benefits to each parcel, adjusted by the parcel's specific characteristics (i.e. land use, parcel size, dwelling units). To assess special benefit, it is necessary to relate the parcel characteristics to each other. The EBU method is deemed to be an appropriate and equitable method of spreading special benefit to each parcel based upon property specific characteristics. The EBU method of apportionment uses the single family home as a basic unit of assessment. Every land use is converted to EBU's based on an assessment formula that equates to the property's specific land use type, the size of the property, the number of dwelling units, levels of park benefit, and an additional benefit factor based upon land use groupings, as shown in the table below, to determine the parcel's total EBU.

The table that follows provides the variables applied to land use types as assigned by County use code, to determine each parcel's EBU assignment. This table is used as a sample. Actual equivalent benefit units and levels of benefit will be determined and assigned after approval by the Board of Directors.

Land Use	Assessed Unit	x	Land Use Benefit Factor	x	Park Benefit Level	=	Equivalent Benefit Unit Rate (EBU)
Residential							
SFR and Condo	1 per dwelling	x	1	x	1	=	1.00 EBU / dwelling
Non-Residential*							
Commercial, Industrial, Church	6 X parcel acre	x	0.35	x	1	=	2.10 EBU / acre
Vacant							0.00 EBU / acre

*Calculation for Non-Residential is based on a one (1) acre parcel

Non-Res AC capped at 5 acres.

The EBU's for parcels within the Parks Zone will be aggregated and then divided by the initial cost estimate for to arrive at the initial maximum assessment rate per EBU for the Parks Zone.

Actions Needed to Complete Transfer from County

Draft a formal letter to the County requesting the transfer of the administration and management of Zones 35, 57 and 61 to the CSD. This will likely require an initial meeting between the County and the CSD to verify legal requirements and establish a timeline for the transfer. Harris will assist in creating the formal letter of request, and can facilitate the meeting(s) as requested.

As mentioned earlier in this Study, discussions with the County should include the ownership of and Regatta parks, how the ROW maintenance on Highway 4, and possibly along the east side of Bixler Road will be handled... Will the CSD take over those maintenance responsibilities or will the County retain that responsibility?

Next Steps

This Study was prepared to provide the CSD with information that can be used to inform decision making as to what approach should be considered for modifying the existing District to ensure fiscal sustainability and that revenues are increased to adequately maintain the public improvements. Based upon our findings, analysis, and experience in working with public agencies on similar types of projects across the state, we identified a number of activities that should be considered when looking at next steps and in preparing to ask property owners to approve a modification to the District and increase the maximum assessment rates. A number of the activities for consideration have been summarized below.

- Obtain direction from CSD staff and the Board of Directors
- Develop timeline and implementation plan
- Revise budget as needed
- Determine need for community outreach
- Initiate Proposition 218 Process (election via mailed ballots)

A brief discussion of each of the identified activities follows:

Obtain Direction from Staff and Board

The information in this Study should be reviewed by CSD Staff in an effort to determine if there is any additional information that should be used to inform the Study. Following such review, it is suggested that the information in the Study be used to obtain direction from either one or both parties; CSD Staff and/or the Board of Directors. Obtaining such direction, will help the CSD prioritize its efforts given the numerous priorities and challenges to be addressed by the CSD in the coming year.

Develop Timeline and Implementation Plan

Following the consideration of the items previously listed, Harris can assist with the preparation of an implementation plan and associated timeline to implement such efforts and any areas of priority. The implementation plan should be developed with a focused approach that's foundation lies in the following principles and practices: transparency, accountability, efficiency and effectiveness, and industry best practices. Typically, an implementation plan will outline a detailed timeline of when specific tasks need to be completed. Each task will be summarized so that it is clear as to what is expected from such task and the party(s) responsible for managing and carrying out such activity.

Revise Budget

For the purposes of this Study, planning level cost estimates provided by the CSD were modeled to illustrate the impacts of the proposed modifications to the District as well as the change in the budget. Before getting in front of the community and sharing any numbers as to what actual assessment rates may look like, we recommended that the CSD staff review the cost estimates and any replacement or rehabilitation needs not included, to be sure all costs are included in the budgets and corresponding assessment amounts.

Determine Need for Community Outreach

Anytime a CSD is looking to take on a project that impacts a large part of their community, community outreach should be considered. Starting community outreach early can help the CSD determine what level of support exists within the community for such effort, what level of additional support may be needed (if any), and lastly help identify what types of messages may resonate well when attempting to engage the community and its residents and property owners alike. Community outreach will help the CSD get a pulse on the community and their existing level of resident and property owner support to increase assessment rates within the District. Additionally, initial community outreach efforts can go a long way in helping the CSD staff identify people and organizations within Dixon who may be able to help the CSD champion their cause and craft consistent messages that are easy to understand and will resonate with the citizenry.

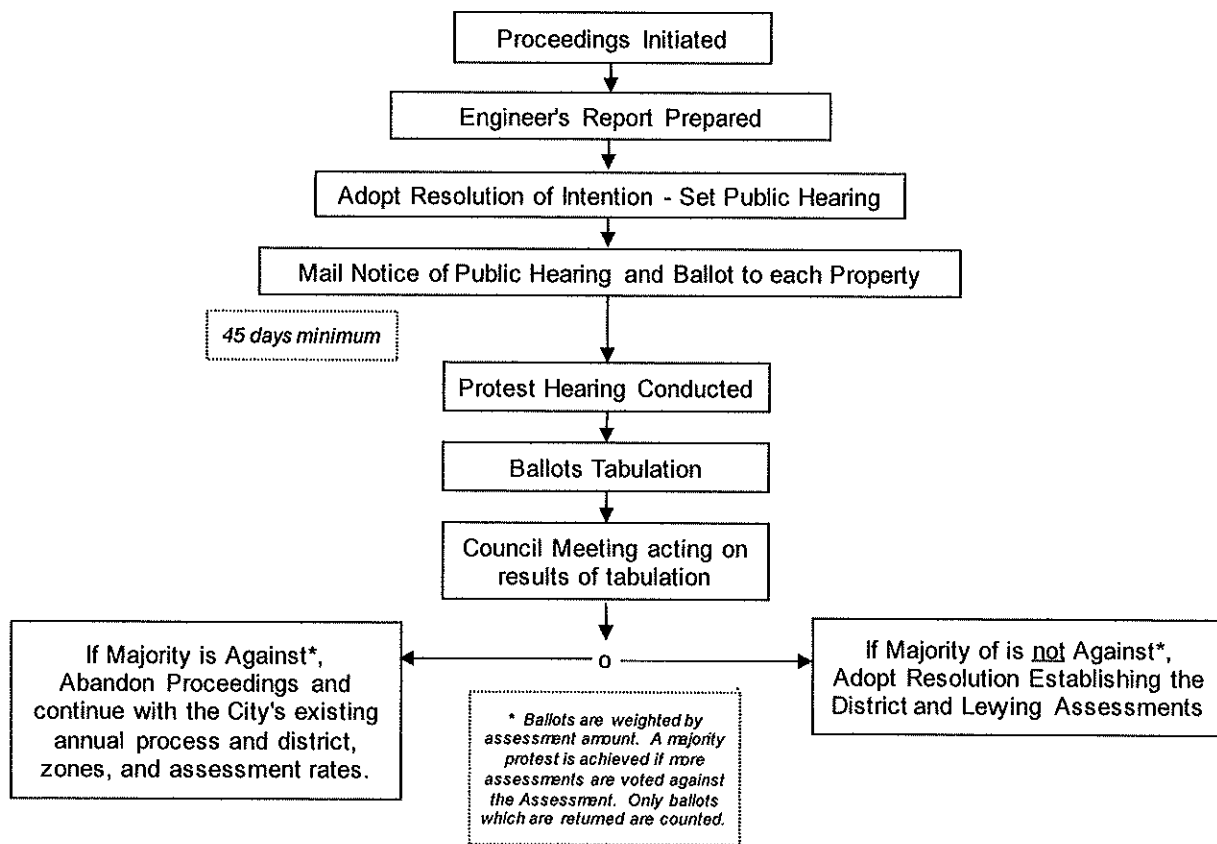
Initiate the Proposition 218 Process

The formal public process to modify the District and increase assessment rates, is also known as Proposition 218 proceedings. The process can be initiated by property owners within the District via petition or by the CSD. There will be at least two Board of Directors Meetings, but maybe more depending on how the CSD decides to proceed. An Engineer's Report will be need to be prepared by an Assessment Engineer, who is a registered professional engineer in the state of California.

The Engineer's Report will include information about what types of public improvements will be serviced and maintained, provide a cost estimate for such services, an assessment diagram showing the boundaries of the District and which property may be subject to the assessment, provide an assessment methodology, and an assessment roll which lists each parcel and the proposed annual assessment amount.

Following the preparation of an Engineer's Report, the Board of Directors will need to preliminarily approve the Engineer's Report and adopt a Resolution of Intention which sets the time and place of the public hearing. At least 45 days prior to the public hearing, the CSD will need to mail notices and ballots to each subject property informing each property owner of the public hearing and purpose of the ballot. At the next Board of Directors meeting, the public hearing will give persons in attendance the opportunity to hear and be heard, a protest hearing will be conducted and ballots will be tabulated. Ballots are weighted by assessment amount. If a majority of the ballots are returned not against the proposed changes to the District, the changes will be approved and the Board of Directors will adopt a Resolution Approving the changes to the District and the ability to levy assessments.

The flowchart below has been prepared to summarize the public process for your reference:



The recommendations and next steps outlined in this Study will require the CSD to commit resources to ensure successful implementation. It is anticipated that the recommendations outlined in this section of the Study can be completed by the end of July of 2020. However, the timeline to implement the recommendations outlined in this study will be dependent upon the CSD's time and resources available to commit to this effort.