



TO: Mayor and Town Council

March 18, 2025

**SUBJECT: Resolution No. 22-2025, preliminarily approving the Engineer's Report, declaring intent to form Danville Landscaping and Lighting Assessment District No. 2025-1 and levy and collect assessments for Fiscal Year 2025/26, and setting May 20, 2025 as the date for the public hearing**

**BACKGROUND**

Upon incorporation, the Town of Danville ("Town") inherited several streetlighting districts from Contra Costa County. In 1983, these were consolidated into a single Town-wide Lighting and Landscape Assessment District, known as the Danville Street Lighting and Landscape Assessment District No. 1983-1 ("LLAD No. 1983-1"). LLAD No. 1983-1 was established pursuant to the provisions of the Landscaping and Lighting Act of 1972 ("Act"). It was expanded in 1987 to include major roadside and median landscaping, and in 1990 to include parks and facilities maintenance. Since formation, a significant portion of the annual budget corresponding to the maintenance and operations of the Town's landscaping, parks, and streetlighting improvements has been funded through assessments levied under LLAD No. 1983-1 and its assessments are approved annually by Town Council for placement on the property tax rolls.

The passage of Proposition 218 in 1996 created new procedural and substantive requirements for all Landscaping and Lighting Assessment Districts ("LLAD" or "LLADs") in the state, the most significant being that any increase or modification to existing LLAD assessments require notices and ballots to be mailed to all affected property owners. Assessment increases or modifications to existing LLAD assessments can be implemented if a majority of ballots returned, weighted by proposed assessment, do not oppose the proposed assessments. In 1997, property owners in the Town ratified the LLAD No. 1983-1 assessments with more than 87% support. In 2003, property owners in the Town approved an assessment increase which did not include an annual escalator to enable LLAD No. 1983-1 to keep pace with inflationary increases in maintenance costs and accumulate funds for repairs and capital improvement projects. The Town has not proposed any increases or modifications to the existing LLAD No. 1983-1 assessments since 2003 and maintenance costs have continued to rise, creating a significant budget shortfall.

The total LLAD No. 1983-1 revenue for Fiscal Year 2003/04 was \$2,959,401 as compared to \$3,050,957 for Fiscal Year 2023/24. During that same time period, annual operating

expenditures have increased from \$2,726,950 for Fiscal Year 2003/04 to \$4,846,264 for Fiscal Year 2023/24. This represents an approximately 3.1% increase in revenue compared to a 78% increase in expenditures. A significant portion of the increased expenditures are attributable to utility costs that are largely outside of the Town's control. Direct water and electricity costs have increased by \$1.41 million, accounting for over 66% of the expenditure increase. Despite steps taken by the Town to curb water and electricity usage, these costs are expected to continue to increase substantially in future years. It should also be noted the total expenditure figures cited include operating expenses for ongoing routine maintenance only, and do not include larger scale capital maintenance or replacement costs. For Fiscal Year 2025/26, capital maintenance costs will add approximately \$1.3 million to the total budget.

At its September 10, 2024 Study Session, the Town Council considered various options to address the growing budget shortfall and provide additional funding to continue maintenance of the Town's landscaping, park, and streetlighting improvements to the standard residents have come to expect. As a result of that discussion, the Town Council directed staff to proceed with efforts to seek approval from Town property owners to generate an estimated \$1.4 million in additional annual revenue commencing Fiscal Year 2025/26. The additional revenue will cover approximately two-thirds of the current annual operating deficit and will include an annual assessment escalator, not to exceed 3%, to keep pace with inflationary increases in maintenance costs.

It has been determined that given the changes in the proposed assessment methodology – including accounting for town-wide versus local benefit for street lighting and parks, as described below – and rates, it is appropriate to initiate proceedings to form new Danville Landscaping and Lighting Assessment District No. 2025-1 (“LLAD No. 2025-1”), pursuant to the Act and Proposition 218. If approved by property owners in the Town and Town Council, LLAD No. 2025-1 will replace existing LLAD No. 1983-1 commencing Fiscal Year 2025/26 to provide ongoing funding for the operation, maintenance and servicing of landscaping, parks, streetlighting, and associated improvements that are responsibility of the Town.

Section 4 of Article XIID of the California Constitution requires that all assessments be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California. The engineer's report is required to separate general benefits to the public at large from the special benefits LLAD improvements confer to property because the general benefits cannot be assessed to property owners. The engineer's report also provides the assessment methodology to apportion the cost attributed to the proportionate special benefit to each property. On February 4, 2025, the Town Council adopted Resolution No. 7-2025 initiating formation of LLAD No. 2025-1 and ordering preparation of the Engineer's Report for Fiscal Year 2025/26.

**DISCUSSION**

Similar to existing LLAD No. 1983-1, LLAD No. 2025-1 consists of four benefit zones: Zones A and B provide funding for roadway landscaping, Zone C provides funding for arterial and local streetlighting, and Zone D provides funding for neighborhood and community parks and community facilities. Properties in the Town will either be within LLAD No. 2025-1 Zone A or Zone B depending on property location within the Town. LLAD No. 2025-1 Zones C and D each have a local and town-wide assessment component. All properties in the Town will be subject to the town-wide components that provide funding for arterial streetlighting (Zone C) and community parks (Zone D). Properties in the Town that benefit from local streetlighting and/or neighborhood parks will also be subject to the local components of the Zone C and D assessments as applicable. The attached Engineer’s Report (Attachment B) includes the Fiscal Year 2025/26 budget and proposed assessments for each of the four LLAD No. 2025-1 benefit zones.

**LLAD No. 2025-1 Maximum Annual Assessment Rates**

The proposed LLAD No. 2025-1 assessments are apportioned based on Equivalent Dwelling Units (EDUs) to establish proportionality. Single-family residential parcels comprise approximately 80% of the assessable properties in the Town and are therefore assigned one EDU. All other land uses are assigned EDUs relative to a single-family residential parcel as described in the attached Engineer’s Report. The maximum assessment rate for LLAD No. 2025-1 assigned to each property is based on its location within the Town. Below is a summary of the eight (8) possible maximum assessment rate scenarios for single-family residential parcels (one EDU) in the Town. The average proposed assessment increase for single-family residential parcels in the Town from the existing LLAD No. 1983-1 assessment is \$90.

| Single-Family Residential Parcels (One EDU)               |                                    |                                    |                            |                                 |                             |
|---|------------------------------------|------------------------------------|----------------------------|---------------------------------|-----------------------------|
| Maximum Assessment Rate Scenarios for Fiscal Year 2025-26 |                                    |                                    |                            |                                 |                             |
| Scenario  | Zone A<br>(Roadway<br>Landscaping) | Zone B<br>(Roadway<br>Landscaping) | Zone C<br>(Streetlighting) | Zone D<br>(Buildings<br>/Parks) | Total<br>Assessment<br>Rate |
| No. 1   | \$90.62                            | \$0.00                             | \$14.54                    | \$114.34                        | \$219.50                    |
| No. 2   | \$90.62                            | \$0.00                             | \$14.54                    | \$151.16                        | \$256.32                    |
| No. 3   | \$90.62                            | \$0.00                             | \$42.18                    | \$114.34                        | \$247.14                    |
| No. 4   | \$90.62                            | \$0.00                             | \$42.18                    | \$151.16                        | \$283.96                    |
| No. 5   | \$0.00                             | \$135.92                           | \$14.54                    | \$114.34                        | \$264.80                    |
| No. 6   | \$0.00                             | \$135.92                           | \$14.54                    | \$151.16                        | \$301.62                    |
| No. 7   | \$0.00                             | \$135.92                           | \$42.18                    | \$114.34                        | \$292.44                    |
| No. 8   | \$0.00                             | \$135.92                           | \$42.18                    | \$151.16                        | \$329.26                    |

The maximum assessment rates for all land use types vary depending on the EDUs assigned for special benefits to property. The assessment methodology for proposed LLAD No. 2025-1 updates how multifamily rental properties (i.e., apartments) are assessed. Under LLAD No. 1983-1, these properties are assessed without consideration for the number of housing

units, resulting in a significantly lower assessment than what is typical for other multifamily product types such as for sale condominiums and townhouses. While each individual owner within condominium and townhome developments currently pays a LLAD assessment similar to that of a single-family residence, an apartment complex with the same number of housing units pays only a very small fraction of that total assessment amount, as the rate is based on number of parcels and acreage rather than residences, despite the level of benefit being similar. The proposed assessments under LLAD No. 2025-1 include assessment rates for multifamily rental properties that are assigned per residential unit like condominiums and townhomes.

To keep up with inflationary increases in maintenance costs, the proposed LLAD No. 2025-1 maximum assessment rates shown above are proposed to increase annually by the San Francisco Bay Area Consumer Price Index (CPI) published by the Bureau of Labor and Statistics, not to exceed 3%, beginning Fiscal Year 2026/27.

**LLAD No. 2025-1 Assessment Revenue**

The estimated Fiscal Year 2025/26 assessment revenue for LLAD No. 2025-1, by benefit zone, based on the maximum assessment rates provided above is as follows:

|                                       |                    |
|---------------------------------------|--------------------|
| Zone A (Roadway landscaping):         | \$1,222,248        |
| Zone B (Roadway landscaping):         | \$544,348          |
| Zone C (Streetlighting):              | \$605,588          |
| <u>Zone D (Parks and Facilities):</u> | <u>\$2,098,820</u> |
| Total:                                | \$4,471,004        |

If approved by property owners, LLAD No. 2025-1 is expected to generate approximately \$1.4 million in increased annual revenue over existing LLAD No. 1983-1 commencing Fiscal Year 2025/26, to provide necessary funding for the maintenance of Town landscaping, parks, and streetlighting.

**Remaining Proposition 218 Schedule**

On February 4, 2025, the Town Council adopted Resolution 7-2025 initiating the formation of LLAD No. 2025-1 and ordering the preparation of the required Engineer’s Report. The remaining Proposition 218 schedule during calendar year 2025 to form LLAD No. 2025-1 is as follows (Council meetings in bold):

- **March 18<sup>th</sup> - Town Council adopts Resolution of Intention and preliminarily approves Engineer’s Report for LLAD No. 2025-1.**
- April 4th (minimum of 45 days prior to public hearing) – Deadline to mail required notices and ballots to property owners in the Town pursuant to Proposition 218.
- **May 20<sup>th</sup> - Town Council holds public hearing, declares balloting period closed, and continues item to June 3<sup>rd</sup> Town Council meeting.**
- May 21st – Ballot tabulation at Town Offices.

- **June 3rd – Town Council declares results of ballot tabulation and if property owners are in favor of the formation of LLAD No. 2025-1, Town Council may adopt resolution confirming the assessments for LLAD No. 2025-1.**
- August 10th – Deadline to submit LLAD No. 2025-1 assessments to Contra Costa County for placement on the Fiscal Year 2025/26 property tax roll.

If formation of LLAD No. 2025-1 is not approved by property owners in the Town, staff will recommend Town Council initiate proceedings on June 3<sup>rd</sup> to approve the existing LLAD No. 1983-1 assessments for Fiscal Year 2025/26 and hold a public hearing in July of 2025 as required by the Act to place the assessments on the Fiscal Year 2025/26 property tax roll.

### **PUBLIC CONTACT**

Posting of the meeting agenda serves as notice to the general public. Notice of the May 20, 2025 public hearing will be mailed to property owners and published as required by law.

### **FISCAL IMPACT**

The projected LLAD No. 2025-1 Budget for Fiscal Year 2025/26 will be covered by a combination of assessments, the Town’s General Fund, Asset Replacement Funds, CIP General Purpose funds and District fund balance.

By adopting the attached resolution, the Town Council will preliminarily approve the Engineer’s Report, declare its intent to form LLAD No. 2025-1 and levy and collect assessments for Fiscal Year 2025/26, and set May 20, 2025 as the date for the public hearing for proposed LLAD No. 2025-1. If formation of LLAD No. 2025-1 is approved by Town property owners and Town Council, the Town is expected to generate approximately \$1.4 million in additional revenue for an estimated total of \$4.5 million in Fiscal Year 2025/26 to fund the ongoing operation, maintenance, and replacement of Town landscaping, park, and streetlighting improvements. The LLAD No. 2025-1 revenue will increase annually by CPI (not to exceed 3%) to keep up with inflationary increases in maintenance costs.

**RECOMMENDATION**

Adopt Resolution No. 22-2025, preliminarily approving the Engineer's Report, declaring intent to form Danville Landscaping and Lighting Assessment District No. 2025-1 and levy and collect assessments for Fiscal Year 2025/26, and setting May 20, 2025 as the date for the public hearing.

Prepared and Reviewed by:



Dave Casteel  
Maintenance Services Director

Attachments:   A - Resolution No. 22-2025  
                  B - LLAD No. 2025-1 Fiscal Year 2025/26 Engineer's Report  
                  (Available upon request from City Clerk's office)