

**TEMECULA COMMUNITY SERVICES DISTRICT
AGENDA REPORT**

TO: General Manager/Board of Directors

FROM: Kevin Hawkins, Director of Community Services

DATE: July 23, 2019

SUBJECT: Approve Temecula Community Services District Proposed Rates and Charges for Fiscal Year 2019-20

PREPARED BY: Jennifer Hennessy, Director of Finance

RECOMMENDATION: That the Board of Directors hold a public hearing and adopt a resolution entitled:

RESOLUTION NO. CSD 19-

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
TEMECULA COMMUNITY SERVICES DISTRICT OF THE
CITY OF TEMECULA ADOPTING RATES AND CHARGES
(ASSESSMENTS) FOR SERVICE LEVEL B – RESIDENTIAL
STREET LIGHTING, SERVICE LEVEL C – PERIMETER
LANDSCAPING, SERVICE LEVEL D – RECYCLING AND
REFUSE COLLECTION, AND SERVICE LEVEL R –
EMERGENCY UNPAVED ROAD MAINTENANCE
SERVICES FOR FISCAL YEAR 2019-20**

BACKGROUND The Temecula Community Service District (TCSD) operates under the authority of Community Services District Law and provides residential street lighting; perimeter landscaping and slope maintenance; recycling and refuse collection and unpaved road maintenance services in the City of Temecula. The boundaries of the TCSD are coterminous with the City and the City Council serves as the Board of Directors of the TCSD.

Service Levels. Property owners pay only for the TCSD services used or made available to their property through separate Rates and Charges on their property tax bill. The Community Services, Parks and Recreation and Service Level A Rates and Charges previously levied by the TCSD were replaced by the City's Parks/Lighting Services Special Tax, approved by the voters as Measure C on March 4, 1997. Although the TCSD continues to operate and maintain the parks and recreational facilities through a cooperative agreement with the City, the actual levy budget for the special tax is scheduled to be considered and approved by the City Council on July 23, 2019.

The four current service levels of the TCSD include:

1. Service Level B – Residential Street Lighting

The Fiscal Year 2019-20 Rates and Charges for Service Level B are not proposed to increase from last year's rates. The rate is capped at \$25.68 per single family residential unit.

2. Service Level C – Perimeter Landscaping and Slope Maintenance

Zones 6 and 29 property owners previously approved an annual increase to the Rates and Charges which is the lesser of:

(1) the percentage increase in the US Department of Labor, Bureau of Labor Statistics, Consumer Price Index ("CPI") of All Urban Consumers for the Riverside-San Bernardino-Ontario, for the previous calendar year; or

(2) 5%

The annual CPI change for 2018 was 2.73%. As a result, the proposed Fiscal Year 2019-20 Rates and Charges for the two zones will increase as follows:

<u>Zone No. and Name</u>	<u>18-19 Rate</u>	<u>19-20 Rate</u>	<u>Increase</u>
6 - Woodcrest Country	\$110.56	\$113.58	\$3.02
29 - Gallery Portraits	\$394.63	\$405.42	\$10.79

The Fiscal Year 2019-20 Rates and Charges for Zones 2, 3, 5, 8, 9, 12, 13, 16, 18, 19, 20, 21, 23, 24, 25, 26, and 28 are not proposed to increase from last year's rates. For Zones 1, 4, 7, 10, 11, 14, 15, 17, 22, and 27, the TCSD proposes to increase the Fiscal Year 2019-20 Rates and Charges. As discussed below, the Rates and Charges for any of these 10 zones can only be increased if a majority protest has not been filed for such zone.

3. Service Level D – Residential Recycling and Refuse Service

City Council previously authorized an annual adjustment for CR&R Rates and Charges for Fiscal Year 2019-2020. Per the Franchise Agreement, the annual adjustment includes the change in CPI, the change in landfill tipping fees, and an "Extraordinary Cost Adjustment" as requested by CR&R to offset the lost revenue from the inability of CR&R to sell recyclable materials. The proposed 2019-2020 annual TCSD Rates and Charges includes a CPI increase of 3.07%, a landfill tipping fee increase of 3.05%, an Extraordinary Cost increase of \$6.48, and a decrease of \$1.95 to maintain the required balance in Fund 194. The TCSD Rates and Charges also includes an increase for administration of Fund 194 of \$0.72. As a result, TCSD proposes to increase the Fiscal Year 2019-20 Rates and Charges for Service Level D from \$281.52 to \$298.42 per single family residential parcel, which is an increase of \$16.90.

4. Service Level R – Unpaved Street and Road Maintenance

The Fiscal Year 2019-20 Rates and Charges for Service Level R are not proposed to increase from last year's rates. The rate is capped at \$115.26 per single family residential unit and \$57.62 per vacant residential property.

Proceedings. The TSCD is required to complete an annual levy process, which includes adopting a resolution to accept the filing of an Engineer's Annual Levy Report ("Report") on the proposed Rates and Charges necessary to provide the services; noticing each affected property owner in the City; and conducting a public hearing to consider approving the proposed Rates and Charges. For any Rates and Charges that TSCD proposes to increase it must comply with Proposition 218 (which added Article XIII D to the California Constitution). For the purposes of Proposition 218, Rates and Charges are not considered to be "increased" when TSCD implements a previously authorized annual adjustment.

Service Level/Zones With No Increase. By a resolution adopted on May 28, 2019, the Board of Directors acknowledged the filing of the Report, and appointed July 23, 2019 as the date for a public hearing on the Report and the proposed Rates and Charges for Fiscal Year 2019-20. Notice of the public hearing was mailed and published as required by law. The Report includes the proposed Rates and Charges for all of the Service Levels for Fiscal Year 2019-20. With respect to Service Level C, the proposed Rates and Charges for all of the zones included in the Report are not increased from last year's rates, except for the CPI increase for Zones 6 and 29. As discussed below, the proposed increases to the Rates and Charges for Zones 1, 4, 7, 10, 11, 14, 15, 17, 22, and 27 are described in a separate engineer's report and are subject to a separate Proposition 218 balloting proceeding.

The total revenue for all service levels as set forth in the Report for Fiscal Year 2019-20 is \$11,192,221, which varies slightly from the Annual Operating Budget due to timing differences in the production of the two documents. The revisions did not result in any rate increases.

Proposed Increases for Service Level C, Zones 1, 4, 7, 10, 11, 14, 15, 17, 22, and 27. In considering the proposed increases for the Fiscal Year 2019-20 Rates and Charges for Service Level C, Zones 1, 4, 7, 10, 11, 14, 15, 17, 22, and 27, TSCD is following the proceedings set forth in Proposition 218 for the imposition or increase of assessments, and the documents prepared in connection with the proposed increases refers to the increased Rates and Charges as "assessments."

The Board of Directors caused a Preliminary Engineer's Report ("Engineer's Report") to be prepared which contains a description of each parcel in Service Level C, Zones 1, 4, 7, 10, 11, 14, 15, 17, 22, and 27 and the proposed amount of the assessments to be levied against such parcels for Fiscal Year 2019-20, 2020-21 and 2021-22 in the respective zone. In addition, as set forth in the Engineer's Report, commencing in Fiscal Year 2020-21, and for each subsequent Fiscal Year, TSCD establishes a "maximum annual assessment" that increases by the percentage increase in the Consumer Price Index, All Items, Riverside-San Bernardino-Ontario, All Urban Consumers, not to exceed three percent.

By a resolution adopted on May 28, 2019, the Board of Directors appointed July 23, 2019 as the date for a public hearing on the Engineer's Report and the proposed assessments in Service Level

C, Zones 1, 4, 7, 10, 11, 14, 15, 17, 22, and 27 . Notice of the public hearing was mailed to the affected property owners on June 7, 2019 in accordance with Proposition 218.

Each notice indicated the amount of the proposed assessment for the respective parcel and the date, time and place of the public hearing and included a ballot for the property owner to indicate support for, or opposition to, the proposed assessment.

At the public hearing, the ballots must be tabulated separately for each of the 10 zones. A majority protest will exist within a zone if the ballots submitted in opposition to the proposed assessments for that zone exceed the ballots submitted in favor of the proposed assessments. In tabulating the ballots, each ballot is weighted according to the amount of the proposed assessment against the subject parcel.

In the absence of a majority protest, the Board of Directors may order the levy of the increased Rates and Charges (assessments) within a zone for Fiscal Year 2019-20, as set forth in the Engineer's Report. In subsequent years, TSCD may levy Rates and Charges (assessments) in an amount that does not exceed this maximum annual assessment amount without the need to conduct a Proposition 218 balloting proceeding. If a majority protest is filed for any zone, the Board of Directors may not order the increase, but may levy of the Rates and Charges, with no increase, as set forth in the Report.

CEQA. The levy and collection of the TCSD Rates and Charges (assessments) is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 21080 (b)(8) of the California Public Resources Code and Section 15273 of the State Guidelines because the Rates and Charges (assessments) are necessary to maintain existing improvements within the TCSD. In addition, the levy and collection of the TCSD Rates and Charges (assessments) is categorically exempt from the provisions of the CEQA pursuant to Section 15301(c) and (h) of the State Guidelines because the Rates and Charges (assessments) are necessary to repair and maintain existing public facilities and topographical features, including landscaping.

FISCAL IMPACT: The revenue generated for the TCSD Fiscal Year 2019-20 Rates and Charges (assessments) will fund residential street lighting; perimeter landscaping and slope maintenance; recycling and refuse collection and unpaved road maintenance services in the City of Temecula.

ATTACHMENTS:

1. Resolution CSD No. 19– Service Levels B, C, D and R
2. Engineer's Annual Levy Report
3. Preliminary Engineer's Report