



City of Stockton

Legislation Text

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PRELIMINARY APPROVE THE FISCAL YEAR 2026-27 STOCKTON CONSOLIDATED LANDSCAPE MAINTENANCE ASSESSMENT DISTRICT NO. 96-2 ANNUAL ENGINEER'S REPORT, PRELIMINARILY APPROVE THE PROPOSED FISCAL YEAR 2026-27 BUDGET, AND SET A PUBLIC HEARING FOR JUNE 9, 2026

RECOMMENDATION

It is recommended that the City Council adopt a resolution to:

1. Preliminarily approve the Stockton Consolidated Landscape Maintenance Assessment District No. 96-2 Annual Engineer's Report for the Fiscal Year 2026-27.
2. Preliminarily approve the proposed Fiscal Year 2026-27 budget.
3. Set a public hearing for June 9, 2026.
4. Authorize the City Clerk to publish notice of the public hearing.

It is also recommended that the City Manager be authorized to take appropriate and necessary actions to carry out the purpose and intent of this resolution.

Summary

The Stockton Consolidated Landscape Maintenance Assessment District No. 96-2 (Consolidated Landscape District) levies assessments to fund maintenance of landscaping, parks, and related improvements in 27 zones across the City (Attachment A). The Landscaping and Lighting Act of 1972 (Act), under which this District was formed, requires annual preliminary approval of the Consolidated Landscape District budget (Attachment B) and the Annual Engineer's Report and requires an annual public hearing for final consideration of the budget and Annual Engineer's Report. The Annual Engineer's Report is on file with the City Clerk and is available for online viewing at: <https://www.stocktonca.gov/community/recreation/parks/index.php>

The recommended resolution preliminarily approves the Consolidated Landscape District's Annual Engineer's Report and the Fiscal Year (FY) 2026-27 budget, sets a public hearing for June 9, 2026, for the final approval of the FY 2026-27 budget and the Annual Engineer's Report, and authorizes the City Clerk to publish notice of the public hearing. All costs are funded by assessments levied on the properties in the zones of the Consolidated Landscape District (Attachment C). All funds generated from the assessments for each zone can only be used for specific work in that zone.

The assessments for seven zones of the Consolidated Landscape District are fixed and cannot be increased without approval by a majority of the property owners. For FY 2026-27, it is required and recommended the actual assessment, which is at the maximum, remains the same as FY 2025-26 for the seven zones with fixed assessments.

The assessment formula for the remaining 20 zones where assessments are levied provides an annual escalator to the maximum allowable assessment and adjusts the actual assessment. It is recommended that the FY 2026-27 maximum assessment be increased per the formula. It is further recommended that the actual FY 2026-27 assessment increase by varying amounts from 2.99 to 46.26 percent in the 20 zones that allow for an annual adjustment. This recommendation is a result of a comprehensive review and evaluation of current maintenance expenditures, long-term capital needs, available reserves, and rapid inflation.

DISCUSSION

Background

On February 26, 1996, Council adopted Resolution No. 96-0084 that consolidated the eight Landscape Maintenance Districts that existed at that time into a single Consolidated Landscape District. The City used the provisions of the Act to establish the original individual districts and the Consolidated Landscape District. The Act contains provisions for the City to form an assessment district, or annex territory to an existing district, for the maintenance and operation of improvements that impart a special benefit to an area. Though the title of the Act references landscaping and lighting, a district can be formed to maintain a variety of improvements. These improvements include but are not limited to landscaping, fountains, ornamental structures, public lighting (such as streetlights and traffic signals), walls, irrigation, parks, and park equipment. The Consolidated Landscape District provides for the maintenance of these types of improvements in certain subdivisions throughout the City.

The Consolidated Landscape District sets annual assessments collected by the County with annual property taxes on each taxable parcel contained within the Consolidated Landscape District. These annual assessments provide funding for maintenance of the improvements, parks, inspection, repair and replacement of improvements, and other associated administrative costs, including preparing an Annual Engineer's Report and assessment roll. The Annual Engineer's Report contains the Consolidated Landscape District's budget. The budget details the maintenance and administrative costs for all affected zones. The property owners are responsible for funding only those improvements within their zone.

The assessments are apportioned in a manner to distribute the amounts among all assessable parcels in proportion to the special benefit conferred on each parcel. Each year, all properties are evaluated to determine if they meet the criteria to be assessed. A dwelling unit equivalent factor (dueF) is assigned to each parcel if they are to be assessed. The dueF is based on the parcel's use. A single-family residential lot is equivalent to one dueF. The dueF for other classifications of properties, such as multi-family or commercial, is determined by the Allocation of Costs and Method of Assessment Spread contained in the Annual Engineer's Report.

There are 34 zones in the Consolidated Landscape District. During FY 2025-26, no new zones were formed, and no new territory was annexed to any of the existing zones. Assessments are levied in 27 zones (Attachment A). Assessments are not levied in the remaining seven zones as there are no improvements to maintain.

Of the 27 zones where assessments are levied, seven of the zones (A-1 Weber/Sperry, A-2 Morada West, B-1 Long Park, B-2 Weston Ranch, B-3 Weston Park, C-1 Spanos East, and D-1 Bridgeport Trails) do not have a provision for an annual increase to the assessment. The assessment in these districts is at the same level as when the zones were originally formed in the early 1990s. Any increase in the annual assessment would have to be approved by the majority of the affected property owners. Consequently, not all of the current assessments collected are used for services. A portion of the current assessment collected is reserved to be able to afford future cost increases resulting from inflation.

Assessments in the remaining 20 zones were approved with an annual escalator. The escalator is the greater of 3.00 percent or the increase in the San Francisco-Oakland-Hayward All Urban Consumers Price Index (CPI). The escalator allows the assessment, when necessary, to keep pace with inflation without having to go through the time and expense to ballot the property owners. The maximum allowable assessment annually adjusts by the CIP, while the actual assessment needed to cover a zone's expenses is determined based on the estimated expenses for the fiscal year. The annual increase in calendar year 2025 of the CPI was 3.00 percent. Therefore, the maximum escalator that can be applied to the maximum allowable assessment for FY 2026-27 is 3.00 percent.

Present Situation

Attachment B is a summary of the proposed FY 2026-27 budget for the Consolidated Landscape District. It includes the proposed per dueF/single-family dwelling assessment for each zone where an assessment is proposed to be levied. The budgeted expenditures include contracted maintenance, utilities, administration, repair and replacement of plant material and infrastructure, allocation to the replacement reserve, and a contingency. The budgeted revenues are from assessments of the property owners. For the zones that have a provision for an annual escalator, it is proposed that the maximum allowable assessment be increased by 3.00 percent and the actual assessment be increased by up to 46.26 percent. Refer to the Zones with Annual Escalator section of this report for the yearly comparison of the actual increase per zone.

The overall budget for FY 2026-27 is based on current expenditure projections and is approximately \$7.949 million. This increase of approximately \$713,928 from the FY 2025-26 budget is primarily attributable to the addition of new parks, new streetscape landscaping, court resurfacing, and various other projects at the existing parks. The anticipated cost increases across all budget line items are due to prior rapid inflation that is beginning to slow.

For FY 2026-27, it is recommended the assessment remain the same for the seven zones with fixed assessments. For the 20 zones where the assessment formula provides for an escalator, it is recommended that the maximum assessment be increased per the formula from the previous fiscal year. It is further recommended that the actual FY 2026-27 assessment increase by varying amounts from 3.00 to 46.26 percent in the 20 zones that allow for an annual adjustment. This recommendation is a result of a comprehensive review and evaluation of current maintenance expenditures, long-term

capital needs, the Reserve for Continuing Appropriations fund balances, and prior fiscal year rapid inflation.

The reserve funds have accumulated over a number of years to fund the eventual replacement of improvements such as turf, trees, shrubs, irrigation system components, masonry block and pre-cast concrete back-up walls, and park improvements such as park play equipment, picnic structures, and bathroom buildings when those improvements reach the end of their service life. In zones where street lighting is an improvement whose maintenance is funded, the annual assessment is set at a rate to fund re-lamping and knock-down repairs/replacement as needed.

The comprehensive review and evaluation were completed by staff following the completion of a capital needs analysis by Siegfried Engineering, Inc. This combined effort analyzed current maintenance tasks, long-term capital replacement needs, and reserve fund balance for each zone. The analysis identified additional maintenance/service tasks that should be performed, quantified service life, and replacement estimates for the various improvements eligible to be funded by the Consolidated Landscape District. It is recommended the reserve amount be set aside each year. The recommended reserve set aside is based on the current amount that is in reserve, the appropriate reserve balance for each zone (this number changes as the zone ages), and the recommended adjustment to each zone's assessment to reach those levels (Attachment C).

Zones with Fixed Assessments

Zones A-1, A-2, B-1, B-2, B-3, C-1, and D-1 do not have a provision for an annual increase to the maximum allowable assessment. Any increase in the annual assessment in these zones would have to be approved by a majority of the affected property owners. In these seven zones, there is a request for an appropriation from the reserve to balance each zone's budget. Each zone's budget anticipates contracted costs such as routine scheduled maintenance service and utilities and includes eventual but unscheduled expenditures such as wall repairs. If the eventual but unscheduled expenditure were not budgeted, a mid-year appropriation requiring City Council action would have to be processed. To avoid a mid-year appropriation, funds for this type of eventual but unscheduled expenditure are budgeted. If the funds are not used, they are returned to the zone at the end of the fiscal year and are available for the next year. An appropriation from the reserve is the only way to balance the budget and efficiently provide for these types of eventual but unscheduled expenditures. Ultimately, given increases in costs in future years, the reserves in each of the seven zones will be depleted. The zones will become unable to fund maintenance at the level currently provided. Current projections are that the reserves in Zones B-1, B-2, B-3, and D-1 will be adequate to continue the current service levels for the next five years.

Reserves in Zones A-1, A-2, and C-1 are insufficient to continue appropriating funds at prior-year levels without the zones falling into insolvency within the next two years. It is recommended that these three zones cease funding wall repairs. All walls are a development requirement and are constructed on private property. Stockton Municipal Code Section 8.36.040.D obligates the property owner to repair any wall constructed as a condition of development.

The following continued actions from the prior fiscal year are further recommended:

- Zone A-1 - Reduce the frequency of landscape maintenance services and irrigation. Water for

irrigating the East Bay Municipal Utilities District property between Lorraine Avenue and West Lane is approximately 22 percent of the total proposed Zone A-1 Budget.

- Zone C-1 - A reduction in maintenance services is necessary without alternative funding. When Zone C-1 was originally formed, the budget was set based on maintaining only the street landscaping installed with the development. Baxter Park's maintenance cost was added to Zone C-1 in 1997 without an increase in the existing assessment. Annually increasing park maintenance costs are taking a larger percentage of the budget and requiring an ever-increasing appropriation from the reserve. If appropriations continue at the previous year's magnitude, Zone C-1 will be insolvent in three years.

The table below shows the FY 2025-26 actual assessment, the recommended FY 2026-27 actual assessment, and what the per dueF assessment would be for budgeted expenditures. The 'Cost per dueF for Budgeted Expenditures' does not include an amount to capitalize a replacement reserve or fund replacement of larger expense items such as extensive landscape rehabilitation or booster pump replacement.

Zone	FY 2025-26 Actual (Fixed)	FY 2026-27 Actual (Fixed)	Cost per dueF for Budgeted Expenditures
A-1	\$46.90	\$46.90	\$108.35
A-2	\$79.88	\$79.88	\$115.05
B-1	\$84.00	\$84.00	\$210.24
B-2	\$117.82	\$117.82	\$274.73
B-3	\$24.00	\$24.00	\$42.65
C-1	\$119.24	\$119.24	\$203.45
D-1	\$85.00	\$85.00	\$204.61

Zones with an Annual Escalator

It is recommended that the actual FY 2026-27 assessment increase by up to 46.26 percent in the 20 zones that allow for an annual adjustment. This recommendation is a result of a comprehensive review and evaluation of current maintenance expenditures, long-term capital needs, the Reserve for Continuing Appropriations fund balances, and rapid inflation.

The recommended budget includes an appropriation from the reserves to fully fund each zone's operating budget. The table below shows the FY 2025-26 actual assessment, the recommended FY 2026-27 actual assessment, and the FY 2026-27 maximum assessment. Where the actual assessments are nearing the maximum allowable assessments, the actual assessment has increased by 3.00 percent. These percent differences are not a uniform 3.00 percent due to rounding and truncating required to obtain an assessment divisible by two. In an effort to begin replenishing the appropriation reserves, the remaining assessments whose actual assessment is not nearing the maximum allowable assessment, the percentage increase varies between 2.99 percent and 46.26 percent.

Zone	FY 2025-26 Actual	FY 2026-27 Actual	Dollar Difference	Percentage Difference	FY 2026-27 Maximum
A-3	\$330.66	\$340.60	\$9.94	3.01%	\$340.60
A-4	\$237.88	\$272.98	\$35.10	14.76%	\$332.83
A-5	\$902.24	\$929.30	\$27.06	3.00%	\$1,846.62
A-6	\$407.80	\$476.88	\$69.08	16.94%	\$793.79
A-7	\$256.64	\$289.46	\$32.82	12.79%	\$971.48
A-10	\$210.24	\$307.50	\$97.26	46.26%	\$518.04
B-4	\$119.32	\$122.88	\$3.56	2.98%	\$122.93
B-5	\$104.88	\$108.02	\$3.14	2.99%	\$232.96
C-2	\$301.64	\$310.68	\$9.04	3.00%	\$310.71
C-3	\$259.74	\$267.54	\$7.80	3.00%	\$267.55
C-4	\$108.80	\$112.06	\$3.26	3.00%	\$354.26
C-6	\$137.20	\$166.60	\$29.40	21.43%	\$246.53
C-7/7A	\$476.76	\$491.06	\$14.30	3.00%	\$579.15
D-3	\$298.10	\$307.04	\$8.94	3.00%	\$323.62
D-4	\$149.18	\$153.64	\$4.46	2.99%	\$1,541.62
D-6	\$123.16	\$126.84	\$3.68	2.99%	\$629.79
E-1	\$273.70	\$286.02	\$12.32	4.50%	\$296.47
E-3	\$520.52	\$540.24	\$19.72	3.79%	\$1,056.60
E-4	\$109.56	\$116.18	\$6.62	6.04%	\$375.13
E-5	\$166.50	\$171.50	\$5.00	3.00%	\$650.97

The FY 2026-27 Annual Engineer's Report for the Consolidated Landscape District, which contains the budget, assessment amounts, and a description of improvements eligible to be maintained, is on file with the City Clerk. The assessments fund maintenance of over four million square feet of street landscaping, 68 acres of open space, 42 miles of back-up walls, 10.5 miles of bicycle/pedestrian paths, and 14 parks totaling over 120 acres. A brief summary of the improvements eligible to be maintained by each zone and the proposed actual assessment and proposed maximum assessment per dueF for each zone is contained in Attachment C.

Financial Health of Zones

Later this year, Public Works is anticipated to present a work plan to address zone shortfalls with deliberate rate escalators to gain relief within the next five years. As noted previously, several zones, either with fixed assessments or annual escalators, are on track for becoming insolvent. In some cases, special benefits are no longer being provided, and fund reserves have sustained their respective operation. To implement this future work plan, the City will need to seek approval through the constitutional mandates of the Proposition 218 election process.

Recommended Resolution

The recommended resolution will:

1. Preliminarily approve the Consolidated Landscape District's Annual Engineer's Report for FY 2026-27.
2. Preliminarily approve the proposed FY 2026-27 budget.
3. Set a public hearing for June 9, 2026.
4. Authorize the City Clerk to publish notice of the public hearing.

Notice of the public hearing is required to be published a minimum of 10 days prior to the public hearing. The required notice will be published in The Record on or before May 30, 2026.

FINANCIAL SUMMARY

Total Proposed FY 2026-27 Assessments	\$5,722,123
Total Proposed FY 2026-27 Appropriation from Reserves	<u>\$2,226,990</u>
TOTAL PROPOSED FY 2026-27 BUDGET	\$7,949,113
TOTAL FY 2025-26 BUDGET	\$7,235,185
INCREASE/(DECREASE)	\$713,928

The requested appropriation from the reserves will leave an estimated \$5,787,014.87 in total reserve funds available for future programming. The reserve analysis recommends that there should be a total of \$20,048,719.19 in reserve. Additional details for all zones are included in Attachment C.

The cost shortfall for Baxter Park of \$22,500 may be budgeted in the Parks Operating fund through the annual budgeting process; if not, maintenance services at Baxter Park may be reduced accordingly. Otherwise, the City makes no financial contribution to the Consolidated Landscape District. All fees, costs, and expenses, including staff costs, are paid from the proceeds of the annual assessments to be levied.

- Attachment A - Vicinity Map
- Attachment B - Proposed FY 2026-27 Budget
- Attachment C - Summary of Zones