



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Robert Fisher, Acting City Manager

PREPARED BY: Nate Smith, Deputy Director of Public Works/City Engineer
Art Vela, Director of Public Works

MEETING DATE: May 13, 2025

SUBJECT: Consideration of Resolution 2025-63, Declaring the Intention to Levy and Collect Assessments for Fiscal Year 2025/2026, Approving the Engineer's Report and Setting the Date for the Public Hearing for Landscape Maintenance District No. 1

RECOMMENDATION:

Adopt Resolution 2025-63.

BACKGROUND:

LMD No. 1 in the City of Banning was established through the adoption of Resolution 1990-59 on August 14, 1990 (9 tracts), with another, Tract No. 22913, being annexed into the District in 1992. An additional five tracts and three tentative tracts were annexed into LMD No. 1 (Annexation No. 1) when the City Council approved Resolution 2005-36 on May 10, 2005. Annexation No. 2, adding Tract No. 32370, occurred on November 14, 2023 when the City Council approved Resolution No. 2023-177. There are currently eleven (11) Zones and 1,034 assessment units (i.e. properties) in LMD No. 1. A map displaying the District and its' Zones is shown as Attachment 2. On March 25, 2025 the City Council approved Resolution No. 2025-38, initiating proceedings for the fiscal year update of LMD No.1.

LMD No. 1 provides a mechanism for the operation and maintenance of landscape medians and parkways, perimeter strips, landscaped hillsides with high visibility, side slopes adjacent to sidewalks and retention basins annexed into it. LMD No. 1 funds expenses (e.g. utility costs, landscape maintenance contractor, etc.) by revenues collected from the special benefit assessments paid for by each property owner within LMD No. 1. The District, by special benefit assessments, provides funding for the operation and maintenance of certain landscape areas within the City of Banning, all of which were constructed as part of private development projects and all of which are located in the public right-of-way. The 1972 Act requires that assessments are to be levied according to benefit rather than according to assessed value.

Adoption of this Resolution 2025-XX will accomplish three goals for the fiscal year update and renewal of LMD No. 1. First, it provides the resolution of intention to levy and collect assessments; second, it permits the City Council to review and approve the Annual Engineer's Report; and third, it sets the date and time for a public hearing. Subsequent to the approval of this Resolution, the City Council will be requested to confirm the assessments for Fiscal Year 2025/2026.

The Engineer's Report, which provides background on the proposed Assessments, is on file with the City Clerk and is shown as Attachment 3. Upon approval of this resolution, the public hearing will be held at the regularly scheduled City Council meeting on June 10, 2025, at 5:00 p.m., as shown in the attached schedule, Attachment 4. A detailed list of tracts in LMD No. 1 and their respective assessments is

shown as Attachment 5.

For Fiscal Year 2025/2026, the Engineer's Report does reflect a Consumer Price Index (CPI) percentage increase of 2.94% on the assessments over the last fiscal year applied only to those tracts annexed into LMD No.1 (currently six built tracts) in 2005 and 2023 (Tract 32370), at which time, those property owners authorized the CPI adjustment.

The annual assessments may be increased without further notice or public hearing by a percentage equal to the increase in the CPI for all Urban Consumers in the Riverside-San Bernardino-Ontario, CA area, published by the United States Department of Labor, Bureau of Labor Statistics during the preceding calendar year, provided however, that any such increase shall not exceed five percent (5%) per fiscal year.

Due to the revenue shortfall and the lack of funding for replacement projects, the Public Works Department prepared a Request for Proposals in December of 2018 with the intention to hire a consultant with expertise in the Proposition (Prop) 218 process and assessment districts to determine the proper zones and assessment amounts for each tract and the basis of assessments; assist in holding a Prop 218 balloting proceeding and public hearing; determine the estimated budget for the next 20 years; prepare necessary reports; and perform community outreach. In essence, a complete overhaul of LMD No. 1 was to be explored, including the potential restructuring of the Zones and assessments.

A professional services contract was awarded to Webb Municipal Finance, LLC at the April 9, 2019 City Council meeting. They analyzed the existing LMD No. 1 structure, prepared a financial analysis, and determined the proper zones and assessment amounts for each tract in order to assure the LMD No.1 is operated with a balanced budget. On January 14, 2020, the City Council approved the Financial Analysis, Redevelopment, and Proposition 218 Report ("Financial Report") prepared by Webb Municipal Finance, LLC. The consultant prepared a detailed analysis and budget for all the existing tracts within LMD No. 1 and recommended that it be rezoned in a manner that allows each tract to pay only for benefits that it is receiving. Thus, ten (10) new Zones were developed to better reflect each tract's unique expenses and revenues and benefits bestowed to its' property owners residing within the Zone, as shown in Attachment 2, the LMD No.1 map. Zone No. 11 was annexed into the LMD No. 1 on November 14, 2023, and is comprised of Tract No. 32370, known as Canterbury.

Additionally, the Financial Report analyzed the LMD No. 1 budget and recommended changes including some increases to the Assessment Units to ensure revenues were sufficient to support the rising expenditures. A Prop 218 hearing was recommended in the Financial Report to change the Assessments needed to balance the budget. Webb Municipal Finance, LLC prepared a "Proposition 218" Engineer's Report that presented the new escalated Assessment Unit rates for each Zone reflected on the Proposition 218 notice and ballot for each Zone. A Prop 218 public hearing was held on December 8, 2020 with the results tabulated showing a "No" vote for each of the ten Zones. Thus, the Assessment Unit rate remained unchanged, equal to the rate in the Annual Engineer's Report recommended to be approved as part of this resolution, with no increases despite rising costs. The exception are Zones six through ten whose tracts were annexed into LMD No.1 in 2005, at which time, those property owners authorized the annual CPI adjustment.

Since the Prop 218 public hearing held on December 8, 2020, certain operational adjustments (i.e. maintenance contract scope reduction and reduction in watering) have been made to reduce costs.

Beginning this FY 25/26, the Parks Department will maintain Richard Sanchez Park and trail since the general benefit to the public outweighs the special benefit bestowed to the residents within Zone 1. The Park and trail are deemed to provide a citywide benefit and thus will be maintained by the City. Zone 1 has an operational deficit that will be cured with the removal of the Park and trail. At the March 25, 2025 City Council meeting, the Council requested that the vinyl fencing along the equestrian trail in Zone 9 be removed as it is often vandalized. Due to the lack of use of its intended purpose and costly repairs due to vandalism, the vinyl fence portion of the equestrian trail shall be physically removed and deleted from

future maintenance obligations. Zone 9 has a deficit of about \$3,000 in FY 24/25, removing this fencing will save funds that were previously spent on repairs.

The Annual Engineer's Report requested to be approved as part of Resolution 2025-XX lists the Assessment Unit (AU) rates and costs to be levied to the property owners within LMD No. 1 for FY 2025/2026.

After the landscape maintenance contract for the LMD is finalized for FY25/26, City staff can begin to evaluate the fiscal health in each zone. If the zones have positive revenues, then City staff can plan for improvement projects, grow reserve balances for improvement projects, or increase the maintenance level of services within the zone budgets.

JUSTIFICATION:

The City Council approved the formation of Landscape Maintenance District (LMD) No. 1 by adopting Resolution No. 1990-59 on August 14, 1990. The adoption of this Resolution will enable the assessments to be collected from the property owners located within LMD No. 1 to provide for the funding required to maintain landscape areas located within the public right-of-way directly benefiting said property owners.

FISCAL IMPACT:

Based on the proposed assessments in the Engineer's Report, the estimated revenues for Fiscal Year 2025/2026 for LMD No. 1 will be approximately \$161,443.15, with the 2.94% CPI increase applied to the existing tracts annexed into LMD No. 1 in 2005 and 2023, respectively: Tracts 28252, 30793, 31833, 31834, 31835 and 30906, Zones six through ten and Tract 32370, Zone 11 of Annexation No. 2. If approved, the annual assessment for a single-family dwelling in Zones six through ten would increase from the current rate of \$259.91 to \$267.55 and in Zone 11, from \$403.95 to \$415.83.

The estimated expenses for FY 25/26 are \$124,597.08 (based on FY 2024/2025 actual costs), a surplus of approximately \$36,846.07 for the overall District.

City staff worked to reduce the administrative costs that were assessed to the LMD in previous years to reduce the overall financial burden on each of the zones. This benefited the individual zones, freeing up revenues collected to rebuild diminished reserves, and to allow for future improvement projects in some zones.

Attachment 6 identifies funding reserve balances in each zone. Some of the zones (Zones 3,4, 5 and 9) do not have sufficient reserves to cover the projected expenses in future years; therefore, a further reduction in maintenance services is imminent to reduce costs.

ALTERNATIVES:

Do not adopt Resolution 2025-63 and provide alternative direction to staff. If this Resolution is not approved, the City cannot levy the assessment on the property owners with the District and there would be no funds to pay for the operation and maintenance of LMD No. 1.

BUDGETED?:

Yes

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [Resolution 2025-63, LMD No 1 Engineers.docx](#)
2. [Att. 1 LMD No.1 Map of Zones 1 through 11.pdf](#)
3. [Att. 2 Engineer's Report FY 2025 2026 \(unsigned\).pdf](#)
4. [Att. 3- Tentative Schedule for Updating LMD No. 1.pdf](#)

5. [Att. 4 LMD No. 1 Tracts, Zones and Assessments for FY 25-26.pdf](#)
6. [Att. 5 Zone Funding.pdf](#)
7. [Att. 6 Reso. 2025-38, 3.25.25 CC Meeting.pdf](#)