Agenda Item No: 2.c

# PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: June 16, 2026

Submitted by: Matthew Di Mario

From: Public Works

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**Subject:**

**PUBLIC HEARING TO PROVIDE FOR THE ANNEXATION AND ANNUAL LEVY OF ASSESSMENT FOR THE CITY OF PLACENTIA STREET LIGHTING DISTRICT NO. 81-1 FOR FISCAL YEAR 2026-27**

**Financial Impact:**

| | | |
|---|---|---|
| Annual Revenue: | $140,934 | (SLD 81-1 Assessments) |
| | $ 56,311 | (Proposed Transfer in from General Fund) |
| Annual Expense: | $197,245 | (Proposed FY 26-27 Budget SLD 81-1 Fund No. 219) |

**Summary:**

The City of Placentia administers Street Lighting District ("SLD") No. 81-1 ("District"). Property owners in the District pay an assessment on their property tax bill for the maintenance of 814 streetlights within the District. Each year, the City Council must order the preparation of an Engineer's Report, which determines the amount of the assessment to be levied and reconfirms the boundaries and composition of the District.

Based upon the Engineer's Report, the rate for Fiscal Year ("FY") 2026-27 for SLD 81-1 will remain the same at the maximum allowed by law for this District without a new vote of the property owners to approve a rate increase. This action recommends that the City Council conduct a public hearing to receive testimony, and upon conclusion of the public hearing, adopt a resolution approving the annexation of four (4) parcels into the District, and adopt a resolution approving the Engineer's Report and setting the annual levy of assessment for FY 2026-27.

**Recommended Action:**

It is recommended that the City Council:

1. Open the Public Hearing concerning the annexation, levy and collection of assessments within the Placentia Street Lighting District No. 81-1; and
2. Receive the Staff Report, consider all public testimony, ask questions of staff; and
3. Close the Public Hearing; and
4. Adopt Resolution No. R-2026-42, a Resolution of the City Council of the City of Placentia, California, ordering the annexation of territory to its Street Lighting District No. 81-1 (Annexation 2026-02) and approving the amended map for said District; and
5. Adopt Resolution No. R-2026-43, a Resolution of the City Council of the City of

Placentia, California, approving the Engineer's Report, confirming diagram and assessment, and ordering levy of continued assessments for Fiscal Year 2026-27 for Placentia Street Lighting District No. 81-1.

**Strategic Plan Statement:**
This item is consistent with Strategic Goal No. 1, Fiscal Sustainability. This action will generate revenue to cover street light maintenance expenses in the District. Assessments from specific properties will help provide dedicated revenues to pay for maintenance services in the District, with a reduced impact on the General Fund.

**Discussion:**
The Placentia SLD 81-1 ("District") was formed on June 2, 1981 by Resolution No. 81-R-133 of the City Council. The District incorporated the formerly City-run Santa Fe Street Lighting District as well as new areas of development in the City. The County of Orange ("County") operated street light assessment districts in Placentia prior to this action by the City Council. The Orange County Street Light Assessment Districts ("OCSLAD") were formed by ad valorem tax rate areas and new developments were annexed into the OCSLAD with the consent of the City Council. The formation of SLD 81-1 was driven by the County taking a position to not annex new territory into the OCSLAD from that point of time forward and to transfer the responsibility of managing these Districts to cities instead. Accordingly, all areas awaiting annexation and any new development in Placentia after that time were to be part of the City's newly formed District. Upon formation of SLD 81-1, no further territory was annexed into the County's street lighting assessment district. Since that time, the District has absorbed 814 new streetlights installed throughout the City as it continued to develop and annex new properties in the 1980's and 90's.

In 1992, the City administratively took over the areas served by OCSLAD and has since received the ad valorem tax revenue associated with those areas. The transfer of responsibility did not include conducting annual engineering assessments. Instead, a property tax negotiation occurred, and the property tax revenues generated in these old lighting districts are simply transferred to the City. These revenues are provided by properties included in these old districts which pay a higher percentage (approximately .03 percent) of the basic levy to the City versus to the County.

<u>Status of SLD 81-1 Fund</u>
SLD No. 81-1 is divided into five (5) assessment zones. Zone A is made up of residential parcels. Zone B consists of commercial and industrial parcels. Zone C, which includes parcels from the former Santa Fe Lighting District No. 1, no longer exists and has been folded into Zone B. Zone D includes parcels that have a recorded tentative or final map but are not yet developed or multifamily parcels. This zone is assessed at 30% of one assessment unit per parcel or proposed parcels based on the approved tract map, whichever is the greater of the two. Lastly, Zone E includes open space, streets, or landscaped parcels and is exempt from the assessment. The assessment rate charged varies by zone. The assessments are currently at the maximum allowable rate without a vote of property owners as required by Proposition 218. The current maximum rate per assessment unit established for the SLD 81-1 is summarized as follows:

| Assessment Zone | Current Assessment Rate |
|---|---|
| Zone A: Single-Family Residential | $27.38 per parcel |

| | |
|---|---|
| Zone B: Commercial/Industrial | $164.28 per acre |
| Zone D: Undeveloped | $8.21 per parcel |

Over the years, the District Fund has reported a deficit that has been subsidized by the City's General Fund. This deficit can be attributed to the fact that the City has not increased the rates charged by the District since its formation, and the continued increase in electricity costs over the past 45 years. This District is not subject to an annual escalation, unlike the City's community facilities districts. The assessment rates will remain the same. For FY 2026-27, the District has estimated expenditures of $197,245. The proposed assessment for FY 2026-27 will generate approximately $140,934 in revenue with a projected deficit of $56,311. Accordingly, this deficit will be subsidized by the General Fund to balance the District's fund. The City has seen a reduction in this structural deficit now that the City's streetlights have been upgraded to LED fixtures, which will yield reduced electric utility costs for the 814 streetlights that are part of the District.

Public Hearing Process

The Landscaping and Lighting Act of 1972 (Streets and Highways Code §§ 22500-22647) does require that the City undertake certain proceedings for any fiscal year during which assessments are to be levied and collected upon private property. These proceedings are usually accomplished at two (2) separate City Council meetings. On May 19, 2026, the City Council adopted Resolution No. R-2026-26 declaring its intention to provide for the Annual Levy of Assessments for SLD 81-1 and setting the time and date for a public hearing.

The Annual Levy of Assessments is for the purpose of providing District funds for street light maintenance and electricity costs, and a means of assessment for the same purposes as shown in the attachments. Each fiscal year, the City Council directs the preparation of an Engineer's Report, budgets and proposed assessments before the assessments can be levied.

SLD No. 81-1 is exempt from, and not subject to the procedures and approval processes set forth in Article XIII D, Section 4 of the California Constitution enacted by Proposition 218 on November 5, 1996. The reason SLD No. 81-1 is not subject to Proposition 218 can be attributed to the fact that Proposition 218 also enacted Article XIII D, Sections 5 and 5(b) which exempted assessment districts formed prior to November 6, 1996, and which were formed pursuant to a petition signed by those owning all the parcels subject to the assessment at the time the assessment was initially imposed. This exemption is contingent on there being no increase in the amount assessed on a property owner in a category from the prior year. Since SLD No. 81-1 was formed prior to November 6, 1996, pursuant to a petition signed by those owning all the parcels subject to the assessment at the time the assessment was initially imposed, the District is exempt from the procedures and approval process set forth by Proposition 218.

The Engineer's Report establishes the foundation and justification for the continued collection of the assessments for FY 2026-27. Documents to provide for the annual levy have been prepared and presented for City Council approval as follows:

1. Resolution confirming a Diagram and Assessment, providing for Annual Assessment Levy (Attachment 2)
2. Engineer's Report and Assessment Diagram (Attachment 1 - Exhibit C)

3. Assessment Roll (Attachment 3)

On April 21, 2026, the City Council approved Resolution No. R-2026-21, which annexed 230 properties into the SLD. Since April 21, 2026, four (4) additional properties have requested annexation. This brings the total number of parcels in the District to 3,910. Staff recommends that the City Council conduct the public hearing and adopt the attached Resolutions. Although verbal testimony may be taken, protests must be submitted in writing and filed with the City Clerk. The City Clerk will provide the City Council with copies of any written protests received subsequently.

**Financial Summary:**
SLD No. 81-1 has estimated expenditures of $197,245 for FY 2026-27. The proposed assessment for FY 2026-27 will generate approximately $140,934 in revenue, leaving a negative balance of $56,311, which is backfilled by the City's General Fund. SLD 81-1 has operated at a deficit for numerous years because of the limited ability to increase assessment rates to relieve the annual General Fund contribution to the District.

**Attachments**
Attachment 1 - R-2026-42
Attachment 1 - Exhibit B
Attachment 1 - Exhibit C
Attachment 2 - R-2026-43
Attachment 3 - Assessment Roll