



Report to City Council

TO: Mayor and City Council Acting in its Capacity as President and Members of the Board of Directors of the Moreno Valley Community Services District (CSD)

FROM: Dena Heald, Chief Financial Officer/City Treasurer

AGENDA DATE: May 20, 2025

TITLE: PUBLIC HEARING TO CONFIRM A DIAGRAM AND ASSESSMENTS FOR LIGHTING MAINTENANCE DISTRICT NO. 2014-01 FOR FISCAL YEAR 2025/26 (RESO. NO. CSD 2025-__) (REPORT OF: FINANCIAL AND MANAGEMENT SERVICES) (ALL DISTRICTS)

TITLE SUMMARY: Public Hearing for Lighting Maintenance District No. 2014-01 for FY 2025/26 Proposed Levy of Real Property Assessments

DISTRICT: All Districts

Recommendation(s)

That the CSD:

1. Conduct the Public Hearing on the proposed levy of real property assessments for Moreno Valley Community Services District Lighting Maintenance District No. 2014-01.
2. Adopt resolution No. CSD 2025, a Resolution of the Board for the Moreno Valley Community Services District of the City of Moreno Valley, California, Confirming a Diagram and Assessments for Fiscal Year 2025/26 in Connection with Moreno Valley Community Services District Lighting Maintenance District No. 2014-01.
3. Authorize the Chief Financial Officer to adjust the proposed assessments in the event there are any parcel changes, clerical errors, or other adjustments as may be necessary between the date the assessments were calculated and the date the fixed charges are

submitted to the County of Riverside, provided the applied assessments do not exceed the maximum assessments and are in compliance with the formation documents for the district.

SUMMARY

This report recommends the Board of the Moreno Valley Community Services District (“CSD Board”) conduct a Public Hearing and consider adoption of the resolution (Attachment 1), which confirms the diagram (i.e. map) and authorizes the levy of assessments on the fiscal year (FY) 2025/26 property tax roll for Moreno Valley Community Services District Lighting Maintenance District No. 2014-01 (“LMD No. 2014-01” or “District”). This is a routine process that occurs each year.

The proposed assessments are a continuation of the real property assessments currently levied on the property tax bills. There are no increases proposed to the assessments other than an annual inflationary adjustment, provided the property owners previously approved such adjustment. Revenue received from the assessment funds, in part, the street lighting services provided by the District.

The Finance Subcommittee received an update on the annual inflationary adjustment process that will be applied to the maximum assessment rates, if previously authorized by the property owners, at its April 22, 2025 meeting.

DISCUSSION

On May 27, 2014, the CSD adopted its Resolution No. CSD 2014-08, establishing LMD No. 2014-01 (formerly Zone B, residential street lighting). Property owners of benefiting parcels within the District pay a special assessment, which is levied on their annual property tax bill, to fund the cost of operating the residential street lighting program (i.e. Special Benefit). Revenue received from the assessment funds a majority of the Special Benefit costs, as defined in the Assessment Engineer’s Report (“Report”) (Attachment 2), to maintain, service, and operate street lights located within the District. The Report is also available from the City Clerk’s office and accessible from the City’s website (www.moval.org/sd).

Each year, the CSD Board must initiate proceedings and conduct a Public Hearing (Landscaping and Lighting Act of 1972) to receive public input on the proposed levy. The assessments cannot be levied on the property tax roll, nor can an adjustment be made to the assessment unless the property owners previously approved and the CSD Board annually authorizes such actions. Approval of the resolution confirms the map and the maximum and applied assessments. The resolution also authorizes the County to levy the assessments on the FY 2025/26 property tax roll.

On March 18, 2025, the CSD Board adopted resolutions to initiate the annual proceedings for the FY 2025/26 levy and approved the Report. The Report includes a description of the improvements within the District, the estimated annual expenses, the method of

assessment apportionment for each lot or parcel within the District boundaries, and a diagram showing the parcels within the zones that make up the District.

The Report also provides an analysis of the District's annual financial status. It separates and apportions the cost of General Benefit, as defined in the Report, and the cost of Special Benefit (i.e. funded by the assessment) of the street lighting services to the benefiting properties. The General Fund is also programmed to cover additional costs, aside from the cost of General Benefit, which are outlined in the Fiscal Impact section of this report.

The maximum assessment rate is the maximum amount that can be used to calculate the assessment levied on the property tax roll. If the property owners previously approved an annual inflationary adjustment, the Report recommends adjusting the maximum rates by the adjustment. Zone 02 has a property owner approved adjustment.

The applied assessment rate is the amount that is used to calculate the assessment actually levied on the property tax roll. The applied assessment is the amount necessary to fund the services of the District for the upcoming fiscal year. The applied assessment rate cannot exceed the maximum assessment rate. The assessment is calculated by applying the rate on an equivalent benefit unit basis, as defined in the Report, of those parcels in the zone. The proposed maximum and applied assessments, by parcel, are included in the Report.

Conflict of Interest Analysis

Section 18702.2 of the Fair Political Practices Commission (FPPC) Regulations provides that if a Council Member has a financial interest in a parcel of land (other than a leasehold interest), the Council Member must recuse him or herself from voting on any proposal that would impose, repeal, or modify any taxes, fees, or assessments that apply to the parcel owned by the Council Member. However, there is an exception under Section 18703 of the FPPC Regulations, which provides that if a governmental decision's financial effect on a Council Member's financial interest is indistinguishable from its effect on the public generally, then the Council Member is not disqualified from participating in the subject decision. In other words, if the Council Member can establish that a significant segment of the public is affected by the decision, and the effect on the Council Member's financial interest is not unique compared to the effect on the public generally, then the subject Council Member may participate in the subject decision.

Section 18703 also includes a provision titled "Specific Rules for Special Circumstances," which provides in part that there is no potential conflict of interest if the decision involves a proposal to set or adjust the amount of an assessment or tax for broadly provided public services that is applied equally, proportionally, or by the same percentage to the official's interest and all businesses, properties, or individuals subject to the assessment or tax. This exception, however, does not apply if the decision would initially impose the assessment or tax, or determine the boundaries of a property or who is subject to the assessment or tax. Under this exception, a Council Member is only permitted to take part in setting or adjusting the amount of the assessment or tax, once the decisions to

implement the assessment or tax, or determine which property or persons that will be subject to the assessment or tax have already been made.

Since the instant situation pertains to recommendations regarding whether to adjust the amounts of various assessments and taxes in a manner that will be the same across the board, which are associated with assessment and special tax districts that have already been established, any Council Member who owns property within any of the subject districts who are subject to payment of the assessments and/or special taxes may vote on the assessments and/or special taxes, whether it is recommended that the amounts remain the same or be increased.

With respect to those Council Members who rent or lease real property within any of the subject districts, there is a different rule which applies that suggests that there may be a potential conflict of interest that requires such Council Members to recuse themselves from voting on the proposed assessments and/or special taxes, whether it is recommended that the amounts remain the same or be increased.

Section 18702.2 of the FPPC Regulations, titled “Materiality Standard: Financial Interest in Real Property” provides that it is reasonably foreseeable that a governmental decision on any real property in which a Council Member has a leasehold interest is material if the governmental decision will increase or decrease the potential rental value of the property. In cases involving any proposed increase in an assessment or special tax that must be paid by the landlord as the property owner, it is foreseeable that the landlord may pass-through any such increase to anyone leasing the property that is subject to the assessment or special tax.

In light of the foregoing, it is recommended that each Council Member who rents property within a particular district that is subject to the taxes and assessments listed in this staff report should recuse themselves from participating in any decision to increase any tax or assessment that may be passed through by the landlord and consequently affect the potential rental value of the property rented by the Council Member. On the other hand, those who own property within the subject districts may vote on the proposed taxes and assessments since they will be applied equally across the board that presumably will not create a unique effect on the Council Member’s interest.

This action meets the Strategic Plan Priorities by managing and maximizing Moreno Valley’s public infrastructure to ensure an excellent quality of life, develop and implement innovative, cost-effective infrastructure maintenance programs, public facilities management strategies, and capital improvement programming and project delivery.

ALTERNATIVES

1. Conduct the Public Hearing and approve the recommended actions as presented. Staff recommends this alternative, as it is consistent with the 1972 Act and will allow for collection of revenue necessary to support the services the District was created to provide. This alternative will avoid additional burdens to the General Fund to provide the services.

2. Conduct the Public Hearing and do not approve the recommended actions as presented. Staff does not recommend this alternative as it may prevent the City from levying the FY 2025/26 assessments and collecting the funding to support the services of the District as requested by the property owners. Selection of this alternative will require additional contributions from the General Fund.
3. Open the Public Hearing but continue consideration of the remaining recommendations to a future CSD Board meeting. Staff does not recommend this alternative as it may prevent the City from meeting the County's deadline to include the assessments on the FY 2025/26 property tax roll.

FISCAL IMPACT

Property owners pay the LMD No. 2014-01 assessment as part of their annual property tax bill. The assessment, including an inflationary adjustment where applicable, has been approved by the property owners through prior proceedings. Funds received for the benefit of the District are restricted and can only be used to fund the services of the District. The recommended assessment rates for FY 2025/26 are listed in the table below. Parcel specific detail of the proposed maximum and applied assessment is included in the Report as attached and is also available from the City Clerk's office and accessible from the City's Website (www.moval.org/sd).

| LMD 2014-01 Assessment Rates (Residential Street Lighting) | | | | | | | | | |
|--|------------------------------|-------------------|----------------------------|----------------------------|----------------------------|------------------------------|--------------------------|----|---------------------------------------|
| Zone | # of EBUs¹ | FY 2024/25 | | Proposed FY 2025/26 | | | | | Assessment Revenue⁵ |
| | | Maximum | Applied² | Maximum | Applied² | Adjustment to Maximum | Change in Applied | | |
| Zone 01 ³ | 32,799 | \$ 23.00 | \$ 23.00 | \$ 23.00 | \$ 23.00 | 0.00% | \$ - | \$ | 754,384.36 |
| Zone 02 ⁴ | 7,192 | \$ 35.25 | \$ 35.25 | \$ 36.46 | \$ 36.46 | 3.42% | \$ 1.21 | \$ | 262,067.78 |
| Zone 03 ³ | 65 | \$ 6.00 | \$ 6.00 | \$ 6.00 | \$ 6.00 | 0.00% | \$ - | \$ | 390.00 |
| Total Projected Assessment Revenue | | | | | | | | | \$ 1,016,842.14 |
| ¹ Equivalent Benefit Units. An EBU is equivalent to a single-family residential (SFR) parcel. ² Rounded down. Riverside County requires even numbered dollar amounts to be applied to the property tax roll. ³ Property owners have not approved an annual inflationary adjustment. ⁴ Property owner approved inflationary adjustment to max rate based on percentage change calculated for the prior year in the Los Angeles-Long Beach-Anaheim Regional Consumer Price Index, as published by the Department of Labor's Bureau of Labor Statistics (index approved by property owners). ⁵ Total of proposed levy differs from calculation of EBUs and rate shown due to rounding. | | | | | | | | | |

For FY 2025/26, property assessments are projected to generate \$1,016,842.14 in revenue. The projected expenditures for the District are \$1,588,449.00. Other revenue sources to the District (e.g. property tax revenues, advanced energy fees for new installations, etc.), and contributions from the General Fund are programmed to fund the difference between the projected assessment revenue and expenditures.

The City's FY 2025/26 Adopted Operating Budget includes a total General Fund contribution of \$375,406.86. This includes the required General Benefit cost and a General Fund subsidy, which are detailed below:

| General Fund Costs | | |
|---|--|----------------------|
| Type | Description | Amount |
| General Benefit Cost | As defined in the Report, represents costs which are not allowed to be assessed to properties and therefore, are apportioned to the General Fund. The General Benefit is the benefit the public receives from the public street lighting improvements in the District. | \$ 31,770.00 |
| Additional Agency Contribution ¹ | Funds the shortfall between revenues and expenditures to continue operating the street lighting program. | \$ 343,636.86 |
| Total | | \$ 375,406.86 |
| ¹ Projected contribution included in proposed Operating Budget. The actual contribution may be lower than needed to cover expenses. In the event additional amounts are needed, a budget adjustment will be requested. | | |

Third party costs associated with the annual levy approval process and preparation of the reports for LMD No. 2014-01 are projected not to exceed \$5,000.00. Third party services include a consultant assessment engineer, special legal counsel, and publication of a legal notice. These costs are included in the City's FY 2025/26 Adopted Operating Budget for LMD No. 2014-01 (Fund 5012).

NOTIFICATION

The Public Hearing notice was published in The Press-Enterprise on Thursday, May 8, 2025, in compliance with Streets & Highways Code Section 22626.

PREPARATION OF STAFF REPORT

Prepared By:
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Department Head Approval:
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Concurred By:
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CITY COUNCIL GOALS

Community Image, Neighborhood Pride and Cleanliness: Promote a sense of community pride and foster an excellent image about our City by developing and executing programs which will result in quality development, enhanced neighborhood preservation efforts, including home rehabilitation and neighborhood restoration.

Revenue Diversification and Preservation: Develop a variety of City revenue sources and policies to create a stable revenue base and fiscal policies to support essential City services, regardless of economic climate.

CITY COUNCIL STRATEGIC PRIORITIES

1. Economic Development
2. Public Safety
3. Library
4. Infrastructure
5. Beautification, Community Engagement, and Quality of Life
6. Youth Programs

Objective 4.2: Develop and maintain a comprehensive Infrastructure Plan to invest in and deliver City infrastructure.

Objective 5.2: Promote the installation and maintenance of cost effective, low maintenance landscape, hardscape and other improvements which create a clean, inviting community.

Report Approval Details

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| Document Title: | STAFFREPORT_FMS_SD_PUBLIC HEARING FOR LMD 2014-01._05.20.25.docx |
| Attachments: | - Resolution Confirming Assessments.docx - LMD 2014-01 Engineer's Report FY 2025-26.pdf |
| Final Approval Date: | May 12, 2025 |

This report and all of its attachments were approved and signed as outlined below:

No Signature found

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