DATE: March 1, 2016

TO: City Council

THROUGH: Greg Nyhoff, City Manager
Office of the City Manager

FROM: Maria Hurtado, Assistant City Manager
Office of the City Manager

SUBJECT: Update on Maintenance Assessment District Audits and Community Outreach Plan

CONTACT: Michael More, Financial Services Manager
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RECOMMENDATION

That City Council receive an update on the various audits of the Maintenance Assessment Districts and community outreach plan by the City’s assessment district consultant, NBS.

BACKGROUND

As part of the City Manager’s organizational assessment, it was determined that the City’s Maintenance Assessment Districts (“MADs”) needed a more comprehensive review, due to deficits or surplus funds that had been allowed to accumulate in various MADs. On May 20, 2015, the City contracted with NBS to conduct an in-depth review of the districts. For its review, NBS interviewed City staff, reviewed the districts’ formation and other annual documents, fund balances, the California Constitution, state statutes, recent judicial rulings related to assessments, conducted site visits to all of the districts, and reviewed the City’s internal processes and procedures. On August 25, 2015 NBS issued its findings in the report titled “Maintenance Assessment Districts Review Findings and Recommendations Report.” On October 27, 2015, City Council received a presentation of the key findings and recommendations noted in the report and a timeline for addressing the deficiencies. The report included a recommendation to conduct boundary, budget and levy audits of all of the districts.

The boundary, budget and levy audits included in-depth reviews of the formation documents, original, 1996/97 and 2015/16 Engineer’s Reports, assessment diagrams, applied 2015/16 tax roll, and the most recent Ventura County Assessor’s secured Roll data. NBS’ Key Audit Findings are as follows:
Boundary Audit
- No parcels outside district boundaries are being levied.
- Minimal number of parcels within the districts were not levied for 2015/16 but should have been (additional details in the levy audit).

Budget Audit
- Thirty-two (32) districts have additional improvements authorized to be maintained that are not currently contracted to be maintained by the subcontractor.
- MADs with no water or electrical invoices provided, and meters assigned to incorrect districts; City staff reviewing and correcting assignment for applicable districts.
- Twenty-six (26) districts are projected to have an annual deficit (e.g., expenses for 2015/16 are expected to exceed revenues).
- Thirty-two (32) districts are projected to have an annual surplus (e.g., revenues for 2015/16 are expected to exceed expenses).

Levy Audit
- Forty-five (45) districts are levied at or less than their maximum rate.
- One (1) significant 2015/16 tax roll correction; completed.
- Eleven (11) districts with minor 2015/16 findings; to be corrected with 2016/17 levies.

Below is a general list of the audit recommendations and proposed timeline to complete each task. The proposed timeline is subject to change by City staff and/or City Council. A detailed timeline is included as part of this packet.

Proposed Timeline

<table>
<thead>
<tr>
<th>Task</th>
<th>Proposed Completion Date</th>
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<tbody>
<tr>
<td>Correct 2015/16 levy for significant findings</td>
<td>Completed</td>
</tr>
<tr>
<td>Fill Special Districts Administrator position (approved by City Council 2/9/2016)</td>
<td>As soon as possible</td>
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<tr>
<td>City to implement procedures to verify contractor’s maintenance activities (including monthly reporting, independent verification before payment of invoices)</td>
<td>March 2016</td>
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<tr>
<td>Maintenance activities for all districts to be re-bid based on district-specific authorized improvements and A/B levels of service</td>
<td>April 2016</td>
</tr>
<tr>
<td>Correct minor 2015/16 findings concurrent with 2016/17 levies</td>
<td>April 2016</td>
</tr>
<tr>
<td>Rewrite Resolutions and Engineer’s Reports</td>
<td>April 2016</td>
</tr>
<tr>
<td>Implement reduction in service level for 2016/17 to match available revenues</td>
<td>May 2016</td>
</tr>
<tr>
<td>Districts with surplus funds and projected annual surplus; improvement replacement plan for surplus spending and/or levy</td>
<td></td>
</tr>
</tbody>
</table>
Task | Proposed Completion Date
---|---
credits | May 2016
Use corrected budgets and maximum assessments to calculate 2016/17 levies | June 2016
Apply findings to prior years and make recommendations regarding fund balance adjustments | Fall 2016

Community Outreach

On January 20, 2016, NBS attended the West Village Neighborhood Council meeting. NBS and staff have already worked extensively with the West Village Neighborhood over the past several months to provide information on assessments and respond to concerns about maintenance issues within the multiple districts in the West Village Neighborhood. These initial targeted outreach efforts have provided valuable insight to staff concerning the many issues within the districts.

Communication between the City and property owners is a critical component of any special financing district program. Public outreach is an important tool for government agencies to communicate with their constituents about expectations and to receive feedback from the citizenry being served. Successful public outreach efforts relay regular messages about a variety of topics, which may include the overall health of the districts, upcoming projects that may impact the properties, any surpluses/deficits, change in budgets and levels of services, problems, and potential needs for additional revenue that may result in Proposition 218 ballot proceedings.

The purpose of these efforts in keeping the public informed is to ensure that as situations arise, whether it potential service reductions, changes in budget, or the need to ask for additional revenue, the property owners are well-informed. These efforts help ensure that constituents are made aware of any special circumstances that may impact them directly. The upcoming public outreach efforts should be aimed at informing the public about each district’s background, status updates and what can be expected in the coming months and years.

The districts have been broken into six (6) groups based on proximity to one another. Seven (7) meetings have been scheduled for March 2016 so far, including City staff and NBS attending the INCO meeting. Various avenues of communication will be used to information property owners of the upcoming outreach meetings.

Presentation

NBS staff will provide a verbal presentation at this meeting providing greater detail on its findings, recommendations, and timelines for remedial action. NBS will also provide a progress update on the projects listed in the IAP (timeline) and the community outreach efforts that have started.

FINANCIAL IMPACT

There is no fiscal impact with the consideration of this item.
Attachments

#1 – Implementation Action Plan (IAP)
#2 – Boundary Audit Report
#3 – Budget Audit Report
#4 – Levy Audit Report
#5 – General Outreach Meetings – Dates and Locations