
MAINTENANCE ASSESSMENT DISTRICTS

Maintenance Assessment Districts

Overview

What are Maintenance Assessment Districts (MADs)?

Maintenance Assessment Districts (MADs) are legal mechanisms by which property owners within a specified district can vote to assess themselves for the purpose of financing special benefit services, including installation or maintenance of open space, street medians, rights-of-way, mini-parks, street lighting, security, flood control, and/or drainage. These special benefit services are provided at a level over and above the standard City general benefit level.

What kinds of special benefits do MADs fund?

MADs usually fund maintenance services and, in limited circumstances, construction and installation.

Maintenance Services

MADs are typically used to provide funding for higher levels of maintenance services in public rights-of-way. Examples are: landscape maintenance (irrigation, fertilization, weeding, pruning, pest control, dead tree removal, plant replacement and turf mowing/edging); hardscape maintenance (sweeping and weeding of hardscape medians and curbs/gutters, removal of graffiti, and maintenance of street benches); open space maintenance (safety tree trimming and removal, and litter removal); street light maintenance for light fixtures which exceed what the City provides (energy costs, light bulb and damaged post replacement, and graffiti removal); litter removal; sidewalk steam cleaning; sign maintenance; banner installation/removal; and seasonal decoration installation/removal.

Note: Some examples of the services MADs do not fund include: maintenance of slopes that cannot be seen from roadways, retaining walls, storm water retention basins, and landscaping along Caltrans property approaching freeway ramps.

Construction Projects

A MAD can be used to provide funding for construction and installation on a limited basis. Assessments to fund construction and installation are limited to five years for landscaping, statues, fountains and lighting, and 30 years for acquisition of parkland or open space land, and park and recreation improvements and maintenance.

How are MADs formed?

By Developer

A MAD may be formed at the time a new subdivision is built. Developers are usually the primary property owners, so developers determine the scope of services to be provided. The City requires developers to sign a Landscape Maintenance Agreement guaranteeing to maintain the assets until maintenance responsibility can be turned over to a Homeowners' Association, MAD, or other entity. The developer pays the required district formation costs (an independent Assessment Engineer's report, balloting, and City staff time) and constructs all of the assets. An Assessment Engineer determines which properties benefit from maintenance of the assets, and apportions a share of the cost of maintenance to each parcel based on the benefit it receives.

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Prospective buyers of the property are informed of the existence of the MAD by developer disclosure documents, and as a line item on their property tax bill.

By Community

A MAD may also be formed by an established community. In these cases, district formation may be funded by the benefiting property owners, or another funding source such as Community Development Block Grants (CDBG). Typically, there is a provision that the start-up costs will be refunded from the first year's assessments. A third mechanism to fund MAD formation costs was approved in the Annual Fiscal Year 2003 Budget. An allocation of \$150,000 for this purpose has been encumbered during Fiscal Year 2004 in the Environmental Growth Fund (EGF). It is anticipated that the City Council will review and approve eligibility criteria for communities that wish to utilize this fund during the second quarter of Fiscal Year 2005. The fund will pay for initial formation costs; it will be repaid once the assessments begin. Community members advocating for the MAD usually meet with the Park and Recreation Department or the Community and Economic Development staff and the Assessment Engineer to identify the scope of services and resulting assessment amount that will be assessed to property owners who will vote for or against MAD formation.

What is the law authorizing MADs?

MADs are authorized by the State of California and provided for in the "Landscape and Lighting Act of 1972" (Part 2 of Division 15 of the California Streets and Highways Code), applicable provisions of "Proposition 218" (Article XIII D of the California Constitution) and provisions of the "San Diego Maintenance Assessment District Ordinance" (Division 2, Article 5, Chapter VI beginning at Section 65.201 of the San Diego Municipal Code). Under the provisions of these laws, the City can assess properties based on the amount of benefit each property will receive.

Balloting

A ballot is required to form all MADs. This is not part of an Election Day ballot. Every affected property owner receives a ballot in the mail, at the address on record with the County Assessor. The property owner votes and returns the ballot by mail. City Council authorizes going to ballot, and if a weighted majority of the ballots received by the City Clerk favor district formation, the City Council authorizes the levy and the district is formed with the scope of services identified in the ballot. The scope of services is memorialized in the Assessment Engineer's Report. A "weighted" vote is one where, for example, the vote of a property owner whose assessment will be two dollars counts twice as much as the vote of a property owner whose assessment will be one dollar. No matter how many or few property owners vote, if over 50 percent of the weighted votes received are in favor, the district can be formed.

How long can it take to set up a MAD?

Normally the process takes 5 to 10 months to establish and approve a MAD. The City has an annual August 10th deadline with the County of San Diego to include MAD assessments on the property tax rolls for that year.

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What are the steps in forming a MAD?

1. The developer or interested community representatives/property owners (“community contacts”) initiate contact with the City of San Diego Park and Recreation Department, Maintenance Assessment District Section (“City staff”) at (619) 533-6778 to express interest in learning how to form a MAD. (Note: The formation of any proposed commercial MADs to be managed by a non-profit organization pursuant to San Diego Municipal Code Sections 65.0201 et seq. is handled by the Community and Economic Development Department.)
2. Developer or community contacts meet with City staff to discuss the petition requirements, potential district boundaries, maintenance areas, services that can and cannot be included, engineering information, costs of forming a district and assessment amount.
3. Developer or community contacts deliver a petition to City staff signed by at least 30 percent of the property owners in the proposed district, which indicates the area owners desire to pay an estimated assessment amount for specified benefits.
4. City staff coordinates a meeting with the developer or community contacts and an assessment engineering consultant to discuss details of the proposed district.
5. Assessment Engineer provides a cost estimate for district engineering and balloting for approval by the developer or community contacts. Upon approval, City staff requests a deposit from developer or community contacts to cover formation costs so that the Assessment Engineer can begin work.
6. Developer or community contacts inform City staff when they secure funds to pay for preparing the required report by the Assessment Engineer, balloting, and City staff time (usually a total of \$10,000 to \$65,000 depending on the scope of the district).
7. Developer or community contacts provide detailed information about the location and scope of services being requested. Developer’s consultant and/or City staff calculate annual cost estimates and the Assessment Engineer allocates cost to parcels based on benefits received.
8. City staff coordinates a meeting with the developer or community contacts and the Assessment Engineer to review preliminary Assessment Engineer’s Report.
9. The Assessment Engineer delivers final report to City staff for distribution to developer or community contacts. The Assessment Engineer’s report is included with the Request for City Council Action to set an initial hearing date, authorize mailing the ballots, and set a final hearing date.
10. City staff mails a ballot to each assessable property owner, as listed in the most recent certified County Property Tax Roll, a minimum of 45 calendar days prior to the final hearing date.
11. The City Clerk’s Office receives completed ballots, which are kept sealed until after the close of the final public hearing. The City Clerk presents district balloting results to the

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City Council. City Council receives the ballot results and takes action to either approve the district, Assessment Engineer's report and the assessment levy or abandon the district based on the ballot results. The earliest a failed ballot can be reballoted is one year.

12. City staff prepares annual enrollment and delivers it to the County Assessor to be included on Property Tax statements to property owners beginning with the December property tax bill after the August 10th enrollment.

For more information, visit the City's web page at <http://www.sandiego.gov/park-and-recreation/general-info/mad.shtml>.

How are Assessment Amounts Determined?

Each Maintenance Assessment District is governed by the maximum authorized assessment and cost indexing provisions contained within the Assessment Engineer's Report. The maximum authorized assessment is determined individually for each district as a result of an analysis by an independent assessment engineer based on the scope of maintenance amenities desired. The Assessment Engineer's Reports for Park and Recreation Department-managed MADs are available for each district on the City's web page, <http://www.sandiego.gov/park-and-recreation/general-info/mad.shtml>.

For the purpose of determining assessment amounts, identifying the general and special benefits associated with the improvements and/or services is essential since only special benefits are assessable. Special benefits are those particular and distinct benefits "over and above general benefits" provided to the public at-large. A more detailed discussion of the general benefits provided by the City is provided in the "What Does the City Contribute to a MAD?" section.

Assessments are to be apportioned to properties based on "the reasonable cost of the proportional special benefit conferred" to the property per the California Constitution Article XIID (Proposition 218). Apportionment methodologies are commonly based on one or more property-related attributes, such as:

- *Parcel Area*: benefits apportioned based on relative parcel size.
- *Land Use*: land use-based apportionment factors reflective of relative intensity, usage, or other benefit aspect.
- *Dwelling Units*: residential-based (dwelling unit) measure for residential and non-residential land uses.
- *Parcel Frontage*: linear measure of property frontage along improvement and/or maintenance corridor.
- *Building Area*: benefits apportioned based on total building area (useful for vertical, multistory development areas).
- *Other*: any other suitable means of quantifying proportional special benefit.

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Selection of an appropriate apportionment methodology is done on a case-by-case basis by a certified Assessment Engineer who considers the improvements, services, and other characteristics of the proposed district. Most of the districts managed by the City of San Diego are based on Equivalent Benefit Unit (EBU), which provides for a baseline of 1.00 EBU for each single family dwelling unit. Districts that have linearly spaced improvements may have been engineered using a Linear Front Foot (LFF) methodology. To determine the type of methodology used in a particular district, refer to the Assessment Engineer's Report.

Certain districts are entitled to a cost-indexing related to the San Diego Consumer Price Index – Urban (SD-CPI-U) as reflected in the Assessment Engineer's Report. Since 1998, the City has used the SD-CPI-U for calculating cost indexed assessments. The SD-CPI-U is prepared by the U.S. Bureau of Labor Statistics (<http://www.bls.gov/>), which tracks various local and regional consumer indices..

The calculation is based on an annual comparison of the latest SD-CPI-U figures available before preparing the proposed budget and annual updates to the Assessment Engineer's Report. Second half values are the most representative of the fiscal year cycle (July 1st to June 30th), as opposed to the calendar year cycle. The figures representing the fiscal year cost indexing amounts since Fiscal Year 1998 are shaded in the following table:

Calendar Year	Fiscal Year	First Half	Second Half	Annual Increase
1996	FY 1998	2.24%	2.92%	2.61%
1997	FY 1999	2.44%	1.11%	1.74%
1998	FY 2000	1.41%	2.50%	1.95%
1999	FY 2001	3.43%	3.64%	3.54%
2000	FY 2002	4.72%	6.84%	5.79%
2001	FY 2003	5.73%	3.55%	5.03%
2002	FY 2004	2.95%	3.95%	3.07%
2003	FY 2005	4.14%	3.35%	3.74%

What Does the City Contribute to a MAD?

Under the guidelines of California Constitution Article XIID (Proposition 218), the City is obligated to contribute funds for services that would have otherwise been rendered if the district were not in place. In accordance with this standard, the City contributes a general benefit for certain kinds of maintenance activities:

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Type of Maintenance Activity	Maintenance Funding Source
Median Maintenance	Gas Tax
Open Space Maintenance	Environmental Growth Fund
Population-Based Park Acreage	General Fund
Library Grounds	General Fund
Street Sweeping	Street Division Operating Fund (in-kind contribution)
Street Light Maintenance	Street Division Operating Fund (in-kind contribution)

Median Maintenance

The Park and Recreation Department maintains 83 street medians as part of the Gas Tax Median Program. These medians are scattered throughout the City, and are generally not located within a Maintenance Assessment District. The program provides for the landscape maintenance of median improvements along City streets within the public rights of way, in order to keep the streets and facilities in a safe and operable condition. The required maintenance includes cleaning, sweeping, repairs to curbs and gutters, litter and weed removal, tree maintenance, irrigation installations and repairs, planting, mowing, and edging of curbs and sidewalks. This activity is funded by Gas Tax, and for Fiscal Year 2004, \$610,303 was allocated to this program.

Each Maintenance Assessment District that maintains medians is entitled to a contribution of Gas Tax funds according to the following schedule based on the total cost of the Gas Tax Median Program divided by the total square footage of hardscape and landscape. The contribution amount was increased by the San Diego Consumer Price Index (SD-CPI-U) of 3.35%.

	FY 2004	FY 2005
Hardscape	\$0.0130 per square foot	\$0.0134 per square foot
Landscape	\$0.1800 per square foot	\$0.1860 per square foot

Open Space Maintenance

Those Maintenance Assessment Districts that maintain open space are entitled to a contribution from the Environmental Growth Fund. This allocation is based upon the previous year's actual expenditures for open space and brush management within the Park and Recreation Department Open Space Division. Unlike the Gas Tax contribution, the Environmental Growth Fund allocation was not increased by the Consumer Price Index.

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	FY 2004	FY 2005
Open Space	\$26.63 per acre	\$26.63 per acre

Population-Based Parks Maintenance

Maintenance Assessments Districts are typically used to provide funding for higher levels of maintenance services in public rights-of-way and on public property. In some cases, MADs provide for landscape and hardscape maintenance of City parkland, including irrigation, fertilization, weeding, pruning, pest control, dead tree removal, plant replacement, litter removal, turf mowing/edging/fertilizing, sweeping, weeding, removal of graffiti, and other park area maintenance.

If the parkland is determined to be a population-based park in accordance with the City's *Progress Guide and General Plan*, the MAD must be reimbursed by the General Fund for the cost of maintenance. These parks may have additional funds allocated to them from MAD assessments if authorized by the Assessment Engineer's Report pursuant to the separation of general and special benefits identified within the report.

Calculation of Actual Expenditures for Cost per Park Acre

The General Fund reimbursement amount is based on the previous year's actual expenditures for parkland maintenance, excluding overhead, utilities, and capital improvements. It is calculated every September upon release of the prior year accounting reports. This actual expenditure is divided by the total number of parkland acres managed by the Park and Recreation Department, thus creating a cost per acre figure that may be used to determine reimbursements. The actual expenditures per park acre are:

Fiscal Year 2000	\$3,841
Fiscal Year 2001	\$4,140
Fiscal Year 2002	\$4,087

These figures provide the foundation for the determination of the actual General Fund reimbursement.

Procedure to Identify Actual Park Expenditures

At the end of each fiscal year, the Park and Recreation Department reviews actual expenditures in each of its activities to determine the appropriate level of reimbursement required to Maintenance Assessment Districts for their oversight of any General Fund parks. To do this,

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City staff identifies all costs associated with park maintenance, including adjustments to acreage and inventory, to determine the average maintenance cost per acre for general fund maintained parks.

Certain items are generally excluded in the calculations, including indirect or support costs; maintenance of the regional downtown and open space parks; water, sewer, gas, electric, data processing and phones; and encumbrances for prior year contracts. These charges are omitted from the reimbursement calculation because of the nature of costs incurred by the Maintenance Assessment District. The General Fund reimbursement covers the cost of the landscape contractor and Grounds Maintenance Manager to maintain parkland. Since the other costs are directly billed to the City, they are not included in the calculation.

City staff documents any exceptions in the calculation of the cost per acre of parkland. For activities that include both direct turf maintenance costs and other functions, each Park and Recreation Department Division develops and documents the criteria for extracting the appropriate expenses. For example, building maintenance costs must be extracted from the landscape maintenance activities if those building costs include sites other than outdoor restrooms.

Current Parkland Budgeting Policy

The general policy for budgeting the parkland reimbursement has been to use the two years in arrears parkland actual expenditure figure. The parkland reimbursement budget for Fiscal Year 2003, for example, was based upon the actual expenditures per acre for Fiscal Year 2001. A Consumer Price Index or a set percentage may be applied to this calculation to account for inflation and other variables. Such an increase is not incorporated into the Final Fiscal Year 2005 Budget.

Budgeted Reimbursement per Park Acre:

Fiscal Year 2002	\$3,841
Fiscal Year 2003*	\$4,356
Fiscal Year 2004**	\$4,356
Fiscal Year 2005	\$4,356

* For Fiscal Year 2003, the transfer amount was \$4,356, which reflects an inflation of 5.22% over the actual expenditure of \$4,140 in Fiscal Year 2001. This amount was based upon actual increases in landscape maintenance contracts and other expenditures and the SD-CPI-U per calendar year.

** For Fiscal Year 2004, the General Fund contribution for parks is based on the actual expenditures for parkland maintenance in Fiscal Year 2001 rather than Fiscal Year 2002. The reimbursement amount was \$4,356, which reflects an inflation of 5.22% over the actual expenditure of \$4,140 in Fiscal Year 2001 and 6.58% over the actual expenditure of \$4,087 in Fiscal Year 2002.

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In the annual budget document, the Park and Recreation Department performance measures indicate the proposed cost per acre for each budgeted year based on the Park and Recreation Department's calculations of each park area. These figures take the *budgeted* cost to maintain an acre and divide that figure by the total number of acres. Since these numbers are not based on actual expenditure data, they are currently not used for the purpose of calculating the cost to maintain parkland.

Retroactive Reimbursement

The City provides for reimbursements of up to three years in arrears for parkland acreage that has been maintained by a Maintenance Assessment District when errors in previous calculations are discovered. Various reimbursements that have already occurred are detailed in the Fiscal Year 2002, 2003, and 2004 budget documents.

Library Grounds Maintenance

For those Maintenance Assessment Districts that maintain library grounds, the General Fund contributes an amount based on the previous year's actual expenditures for the Library Department's grounds maintenance activities, excluding overhead, utilities, and capital improvements. At the end of each fiscal year, the Library Department in conjunction with Park and Recreation reviews actual expenditures in its grounds maintenance activities to determine the appropriate level of reimbursement required to Maintenance Assessment Districts for their oversight of any library facility grounds maintenance.

Street Lighting

In accordance with the City's Street Design Manual, the Street Division Operating Fund provides the general benefit for safety street lights at intersections and spaced at 300-foot intervals on residential, collector, and major streets. The Street Division Operating Fund also provides for street lights spaced at 150-foot intervals for those streets located within 1,320 feet of a transit stop or located within high-crime Census tracts. Since the Street Division Operating Fund provides in-kind services to the district, the budget does not reflect the costs of the general benefit street lights.

The standard City street lighting fixture is full cutoff, Type III fixtures (commonly referred to as "cobra overhead" lights). Any other type of lighting fixture or pole is a special benefit. Page 94 of the City's Street Design Manual states, "Supplemental street lighting, for: a) ornamental, b) continuous street lighting, or c) pedestrian-scale lighting purposes, shall be installed in street lighting assessment districts."

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Street Sweeping

The Street Division provides monthly street sweeping services Citywide. Any additional frequencies of street sweeping services (including any median street sweeping) are considered a special benefit. Since the Street Division Operating Fund provides in-kind services to the district, the budget does not reflect the costs of the general benefit street sweeping.

What Is the MAD Management Fund?

Park and Recreation Department Assessment District Management (Management) provides the City with a cost-effective and fiscally responsible process for managing the needs of 36 of the City's Maintenance Assessment Districts. Management responsibilities include calculating and enrolling assessments with the County Assessor's Office; providing direct management support; overseeing contracts, inspections, and district budgeting; analyzing and updating budgets; processing reimbursements; issuing manual billings; providing information technology and communication support; and providing professional support from the City Attorney's Office, City Auditor and Comptroller's Office, and City Purchasing Agent. In addition, Park and Recreation Assessment District Management assists communities and developers in the formation of new Maintenance Assessment Districts; meets regularly with property owners to explain how assessments are calculated and expended; and responds to hundreds of citizen inquiries each month. These activities are undertaken while adhering to all legal and City policy guidelines.

Class No.	Class Title	FY 2004	FY 2005
1107	Administrative Aide II	1.00	1.00
2250	Assistant Deputy Director	1.00	1.00
1218	Associate Management Analyst	1.00	2.00
1535	Clerical Assistant II	1.00	1.00
2214	Deputy Director	0.50	0.50
1418	District Manager	2.00	2.00
1648	Payroll Specialist II	0.50	0.50
1725	Principal Drafting Aide	0.25	0.25
1106	Senior Management Analyst	1.00	0.00
1917	Supervising Management Analyst	1.00	1.00
	TOTAL	9.25	9.25

To ensure that all districts are paying a fair share of the Management Fund, the total appropriations allocation method was used. This approach applies an equal percentage—in this case an amount not to exceed 10.6% of each district's proposed budget less the cost of management and appropriated fund balance—to each district's landscape maintenance contract plus personnel, utilities, and incidental costs on the basis of total appropriation to pay for the Management Fund costs.

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In addition to oversight functions provided by the Maintenance Assessment District Management Fund, 34 of the 37 Park and Recreation Department-managed districts (excluding Del Mar Terrace, Liberty Station/Naval Training Center, and Street Lighting District #1) are administered by a Grounds Maintenance Manager. This position, or portion of a position, is not funded by the Management Fund, but rather by each individual district. This position oversees, coordinates, and supervises the work of the crews of landscape contractors that maintain rights of way, medians, slopes, parks, and other areas as provided by the Assessment Engineer's Report. The Grounds Maintenance Manager inspects the work of the landscape contractor to ensure that all areas are maintained at an appropriate level.

As the primary point of contact between the City and the community, the Grounds Maintenance Manager liaises with community representatives, who are most commonly part of a Maintenance Assessment District citizen oversight committee. These committees are often a subcommittee of the Community Planning Group or the Town Council depending upon the relative boundaries of the District and the Community Planning Area and/or Town Council jurisdiction. The committee members direct any concerns, issues, and/or complaints to the Grounds Maintenance Manager. To solve these kinds of issues, the Grounds Maintenance Manager interacts with a variety of City departments.

The Grounds Maintenance Manager also provides budget oversight to ensure that sufficient funds are available to cover all areas of work to be performed in the upcoming years. This includes the development of cost estimates for maintenance of areas, management of the contract (including bidding for new contracts), and preparing the upcoming fiscal year budget in consultation with the Supervising Management Analyst.

Historically, the amount of Grounds Maintenance Manager support allocated to a specific district is based upon the amount of the landscape maintenance contract. That proportion sets a base line for the amount of contract oversight that is required. However, many Maintenance Assessment District community oversight committees have opted for either more or less Grounds Maintenance Manager support for several reasons, including relative level of community involvement, complexity of the contract and/or landscape areas, capital improvement projects, and any number of issues that need to be resolved within that district.

Each year, the 37 Park and Recreation Department-managed Maintenance Assessment District community oversight committees approve the annual budget, which includes the cost of the District-specific expenses such as the Grounds Maintenance Manager to provide oversight and contract inspection services, as well as the costs of the Management Fund.

