

**Park and Recreation Department
Maintenance Assessment Districts Program**

UNDERSTANDING THE BUDGET

This is an overview of how to read the Maintenance Assessment District (MAD) budget worksheet. Three fiscal years of data are provided:

- *Prior Year Budget and Actuals (Column A)*
- *Current Year Budget and Estimates (Column B)*
- *Upcoming Fiscal Year's Proposed Budget (Column C)*

The exhibit is organized as shown in the attached table, with explanatory detail by reference number as shown below.

EXPENDITURES

1. Full-Time Equivalent Grounds Maintenance Manager and Personnel Expense

If the City manages the District's contracts for goods and services, there will typically be a Grounds Maintenance Manager (GMM) position and personnel expense in the budget. The GMM prepares contract specifications based on the scope of services adopted by the property owners; inspects contractors' work for compliance with contract; reviews invoices and authorizes payment or deductions; meets with property owner advisory committees; and responds to property owner questions and issues.

The "full-time equivalent" line item provides a fraction indicating the amount of time the GMM is assigned to the district. A GMM with an assigned fraction of 0.20, for example, would be working on the district issues 20% of the time or eight hours per week. This implies that the GMM has other assignments that collectively represent a single, full-time GMM.

These lines will have no positions and no expenditures listed if the property owners voted to have a non-profit corporation manage their contracts for goods and services in accordance with Municipal Code §65.0212 (example: Bird Rock MAD and Civita MAD). In this case, the non-profit corporation's costs are identified as non-personnel expense since the costs are not related to City staff.

Positions or personnel expenses may or may not be identified in these two line items if the district exclusively provides for street lighting or street repair (examples: Del Mar Terrace, Black Mountain Ranch North, Liberty Station/Naval Training Center, and Mission Hills Historic Street Lighting). Most services provided in these districts are listed as non-personnel expenses since services are provided on a billable basis by the Street Division.

2. Supplies

Certain supplies not otherwise provided by vendors as part of their service contracts may be expensed through this line item. Specific supplies commonly purchased for MADs include nursery stock/plants, fertilizer, soil, paint, locks, irrigation parts, and cleaning products.

3. Services

The services line item includes amounts spent on contract services as itemized in the budget display. Typical services include landscape maintenance, tree trimming, repair and upkeep of fixtures (such as fences, gates, irrigation, etc.), and pest control. Most districts maintain landscaping, so this line item commonly has landscape maintenance at a minimum. This is typically one of the largest line items in the budget.

4. Utilities

Water, storm drain fee, and electricity are common utility charges associated with MADs. Typically, an irrigation system will require all three charges to cover usage of the water, impact of irrigation onto the storm drain system, and electricity to operate the irrigation controllers. For districts with street lighting, special benefit street lighting electricity costs will be itemized in this section. This is typically one of the largest line items in the budget.

5. Other/Special Districts Administration (including Vehicle Assignment and Usage)

The first line reflects a loss of discount if the contract allows for a discount. The fourth line item represents the cost of a fully loaded GMM. The second and third line items represent the district's proportional contribution to the MAD Management Fund. This fund provides for costs that are shared across multiple districts and includes the following tasks:

- a. Assessment Engineer's Reports and Annual Levy
 - i. preparing annual updates to assessment engineers reports for all districts, including review of changes to land use, parcel splits, etc. in accordance with Municipal Code §65.0211 and state law
 - ii. updating parcel enrollment for all MADs
 - iii. researching uncollectible and errant parcel information
 - iv. submitting parcel enrollment to County of San Diego
 - v. invoicing non-taxable property owners through OneSD system
 - vi. explaining role of MADs to owners who call with questions about the levy
 - vii. evaluating requests for a change to the assessment calculation

- b. Financial (Budget and Accounting)
 - i. preparing and presenting annual district budgets
 - ii. monitoring of current year expenditures and revenues
 - iii. reviewing and paying invoices from non-profit corporations that administer contracts for goods and services on behalf of certain MADs
 - iv. paying invoices on-time within terms specified in service contract
 - v. accounting expenditures, revenues, and fund balances for each MAD

- c. Community Outreach/Customer Service
 - i. meeting with advisory committees to discuss issues and obtaining advice to address problems or issues within the MAD
 - ii. responding to property owner requests
 - iii. conducting advisory committee meetings regarding budget and contract specifications in accordance with Municipal Code §65.0209 and 65.0210

- d. Property Management
 - i. preparing and researching maps that show property ownership, easements, permit conditions, etc. for areas maintained by the MAD or located adjacent to the MAD
 - ii. investigating minor encroachments
 - iii. reporting code violations and street right of way issues to the appropriate City department

- e. Procurement
 - i. managing a competitive procurement process for service contracts in accordance with Municipal Code §22.3203
 - ii. ensuring contractors paid for services received by the MAD
 - iii. ensuring equal opportunity contracting and living wage ordinance compliance
 - iv. routing contracts that exceed \$3 million cumulatively over contract term to City Council for approval in accordance with Municipal Code §22.3206(d)

- f. Capital Improvements Program
 - i. developing and refining capital improvement projects (CIPs) to be funded by MAD
 - ii. coordinating with project managers, contractors, and resident engineers during design and construction process
 - iii. reviewing impacts of various permitted construction projects and developments located in or adjacent to MAD areas not funded by MADs

- g. Special Benefit Street Lighting
 - i. defining nature of general vs. special benefit street lighting in accordance with the City's Street Design Manual (2002)
 - ii. preparing and maintaining inventory of special benefit street lighting
 - iii. determining costs of energy and maintenance of special benefit street lights in consultation with Street Division

- h. Legal
 - i. obtaining legal advice for various MAD activities

- i. Shared Costs
 - i. providing office space, copiers, computers, cellular telephones, etc.
 - ii. providing vehicles to each GMM; costs are charged based on the annual vehicle assignment, usage, and gasoline costs prorated by the fraction of the GMM assigned to the district

Capital Improvements Program (CIP)

Capital improvement projects may include installation of street lights, new planted medians, and other permanent public improvements that are consistent with the apportionment methodology provided in the Assessment Engineer's Report. However, not all MADs are authorized to contribute to capital improvement projects. If a district has an existing or planned contribution to a capital improvement project, the amount of the contribution, the project number, and the project title are typically provided here. This information may be cross-referenced with the CIP section of the City's Annual Budget (see <http://www.sandiego.gov/fm/>).

REVENUES

6. Special Assessments

Special assessments include all levies, including those charged through the annual property tax bill as well as those manually invoiced to property owners.

7. Interest Earnings

Each district has its own interest-bearing fund. Any cash balances within the fund earn interest as part of the City's investment pool, and any interest earnings are reflected in this line item. The budgeted amount is estimated using previous year's experience.

8. City Contributions

The City contributes the "general benefit" to MADs for medians (Gas Tax); parks, fire station grounds, and library grounds (General Fund), and open space (Environmental Growth Fund).

9. Miscellaneous Revenue

Any other revenues received by the district not otherwise described above will show in this line item. This line item may include damage recovery from vehicle accidents and vandalism, permit fees, and private contributions.

FUND BALANCE CALCULATION / RESERVES

10. Beginning Reserve, Change in Reserve, and Ending Reserve

The reserve is the fund balance held for contingency purposes within each district. Reserves may be held for unanticipated, non-emergency needs; anticipated future projects or large onetime purchases; catastrophic needs; emergency needs; revenue shortfalls; and operating expenses to avoid assessment increases. If reserves are reduced, they should be replenished within a suitable timeframe.

Carryover funds from the previous fiscal year (where revenues are in excess of expenditures) are considered part of the beginning fiscal year reserve, also called a fund balance. During the course of the fiscal year, any incoming revenues are added to this amount, and outgoing expenditures are deducted from this amount. At the end of the fiscal year, the resultant closing fund balance is provided at the bottom of this section and is described by the following equation:

Beginning Reserve/Fund Balance		
+ Annual Revenues		
- <u>Annual Expenditures</u>	}	= Change in Fund Balance
= Year-End (Closing) Reserve/Fund Balance		

11. TARGET FUND BALANCE

The 10% minimum Operating Expenditures Reserve reflects a minimum amount of funds available to address unforeseen expenditures any MAD may encounter. The Six Months of Operating Expenditure maximum mirrors the Streets and Highways Code §22569 requirement - “may include a reserve which shall not exceed the estimated costs of maintenance and servicing to December 10 of the fiscal year, or whenever the city expects to receive its apportionment of special assessments and tax collections from the county, whichever is later.” Since this apportionment typically arrives in January, the maximum reserve is defined as six months (50%) of the total operating budget.

12. ANNUAL ASSESSMENT RATE AND EBU’s

Annual Assessment rates are initially determined by the Assessment Engineer at the time the district is formed and approved through the ballot process. Information on how specific assessment rates were determined can be found in the Apportionment Methodology section of each individual Assessment Engineer’s Report. The dollar amount assessed to each property owner each year varies in response to actual expenditures versus the revenue and reserve requirements for each MAD. The Annual Assessment Rate may be well below the Maximum Authorized Assessment Rate if the MAD does not require all of the potential funding that would be raised by the Maximum Authorized Rate to manage the district.

13. MAXIMUM AUTHORIZED ASSESSMENT RATE

The Maximum Authorized Rate is the maximum dollar amount that could be levied (if needed). This number is derived from the assessment rate established at formation of the district plus annual additional potential rate increases since formation of the district as determined by the Inflation Factor also determined at formation.

14. INFLATION FACTOR

The Inflation Factor is determined at formation of the MAD to address increases in costs of goods and services annually and is approved through the ballot process. Typically, potential increases in assessment are tied to the Consumer Price Index (CPI) percentage. Some districts allow an additional inflation factor of up to 3% above the CPI and a few MADs have no inflation factor and are limited to the same assessment levied since the formation of the district.

ASSESSMENT ENGINEER’S REPORTS (AER)

The Assessment Engineer’s Reports can be found on the City of San Diego, Park & Recreation Department website at:

<https://www.sandiego.gov/park-and-recreation/general-info/mads/engreports>