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**TO:** Liz Accord, Public Works Coordinator

**FROM:** Greg Ghironzi, Senior Consultant  
Sara Mares, Director

**SUBJECT:** Process and Systems Review, Special Financing Districts, Findings and Recommendations Summary Memorandum

**DATE:** November 8, 2021

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## **PURPOSE**

The City of Alameda ("City") engaged NBS to perform a Process and Systems Review related to the City's Special Financing Districts ("SFDs") in 2016. A Findings and Recommendations Report (the "Report") was delivered to City staff in May 2019. This memorandum provides a summary of the Report and background regarding the recommended first phase of work to implement the findings made within. The implementation plan outlined in the Report and the associated proposed consulting agreement is constructed in phases which complement each other and also provide immediate action upon the most pressing items. The Report and recommendations therein were based upon the following principles and practices:

- Legal Compliance
- Transparency & Accountability
- Efficiency and Effectiveness
- Industry Best Practices

## **BACKGROUND**

The City of Alameda Public Works Department established a plan to review and improve the administration of the City's Special Financing Districts. The City performs many aspects of SFD formation and administration internally. The City recognizes there have been changes to administrative practices over the years. Considering these changes, the City wished to review its practices to find areas for improvement to set a standard of excellent service.

NBS is recognized for providing expertise in matters related to SFDs and has been forming and administering SFDs for over 25 years. In addition, NBS has served the City since 1997 and has great familiarity with the City's SFDs. Therefore, the City called upon NBS to offer a qualified perspective regarding how to improve the SFD procedures performed by the City.

The specific SFDs evaluated in the Report are listed below.

#### SPECIAL ASSESSMENT DISTRICTS

- LLAD 84-2, Island City Landscaping and Lighting District 84-2 which consists of the following Zones.
  - Zone 1 – Lincoln
  - Zone 4 – Park Street
  - Zone 5 – Harbor Bay Business Park
  - Zone 6 – Marina Village
  - Zone 7 – Bay
  - Zone 8 – Webster Street (replaced original Zones 2 & 3)
- MAD No. 1, Maintenance Assessment District No. 1 (Marina Cove Tract 7170)

#### SPECIAL TAX DISTRICTS

- CFD No. 03-1, Bayport Municipal Services District
- CFD No. 13-2, Alameda Landing Municipal Services District
- CFD 14-1, Marina Cove

The findings and recommendations developed in the Report fall into three general categories which are listed below and subsequently explained.

1. Compliance
2. Information
3. Procedures

*1. Compliance* recommendations involve satisfying the specific legislative requirements of the Implementation Acts<sup>1</sup> and the provisions of Proposition 218<sup>2</sup>. NBS' compliance recommendations primarily involve updating the City's practices related to Assessment Districts which were significantly impacted by Proposition 218. This includes enhancement of the City's identification and separation of general and special benefits together with the proportional allocation of the special benefits provided by the improvements and/or services of the assessment districts. The recommendations also include updating the assessment district annual report templates and the findings and declarations contained therein. Also recommended is an update to the City's Municipal Code for both the Assessment and Special Tax Districts to conform with changes in the Constitutional provisions of Proposition 218 and/or the associated Implementation Acts. These actions together with the adoption of best practices will reduce the risk of potential liabilities.

*2. Information* recommendations involve the development and analysis of the underlying data required to accurately capture the current, and project the future costs required to maintain the improvements and/or provide the services of the SFDs. This includes review and improvement of the annual budgets, an evaluation of the associated fund balances together with recommendations for fund balance reserves and limitations. These actions will help each department capture and record the appropriate information and confirm funds are accurately tracked. The tasks also include identification of potential additional revenue sources that may be appropriate to apply to the SFD activities. The identification and projection of costs and revenues will assist the City to make policy and annual revenue

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<sup>1</sup> *The Alameda Municipal Code, and for the Assessment Districts the Landscaping and Lighting Act of 1972, and for the Special Tax Districts the Mello-Roos Community Facilities Act of 1982.*

<sup>2</sup> *California Constitution Article XIIIID, and the California Government Code §53750 et. seq.*

collection/accumulation decisions necessary to deliver the outcomes expected by the property owners paying the costs.

3. *Procedural* recommendations address the needs of the various City Departments<sup>3</sup> to work efficiently, accurately, and communicate effectively to accomplish the time sensitive tasks of SFD administration. This includes adoption of industry best practices and training for Staff to perform their respective duties. NBS will provide task lists, project templates, and procedures for each department together with a complete organizational overview of the annual process and timing to coordinate the entire City effort. These actions will enable all departments to effectively communicate with each other and the public.

In summary, we must identify, develop, and maintain the correct information by providing the City's administrative team the best training, templates, and procedures in order to comply with all applicable laws. Adoption of these recommendations will enable Staff to provide excellent service as directed by the City Council.

## **IMPLEMENTATION – PHASE 1**

The proposed Scope of Services related to phase one of the recommended implementation actions is structured with four components which are listed below and subsequently explained.

1. Park Program Fiscal Impact Analysis
2. Annual Budget and Fund Balance Review
3. Update of Resolutions and Engineer's Reports
4. Administrative & Operations Manual

1. *The Park Program Fiscal Impact Analysis* will enable the City to more accurately determine the revenues and expenses associated with the Marina Cove I & II projects. It will also identify, evaluate, and make recommendations for other (as appropriate) sources of revenue for these projects.

2. *The Annual Budget and Fund Balance Review* will evaluate the systems and methods used to create the annual budgets together with the associated accounting practices which record all financial transactions related to the limited purpose SFD funds. This will include analysis of each SFD's annual budgets, long term cost projections to ensure the improvements are properly maintained in perpetuity. In addition, City Staff interviews will be conducted to determine what specific data, tools and actions are utilized in the performance of each's duties. Additional findings and recommendations may be developed through this process.

3. *The Update of Resolutions and Engineer's Reports* will evaluate the City's data, documentation and practices specifically related to the City's Special Assessment Districts. Proposition 218 and the subsequent resulting legal challenges regarding compliance with Proposition 218 have substantially altered the practice of formation and administration of these SFDs. NBS' analysis and review will provide the City with the latest data, documents, and procedures to administer these SFDs.

4. *The Administrative & Operations Manual* will provide the City with the necessary workflows, procedures, templates, and training to effectively administer the City's SFDs. The training will be developed specifically for the City's departments in light of the City Staff interviews conducted above.

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<sup>3</sup> Public Works, Finance & Administration, Community Development, City Clerk, City Attorney & City Manager's Office

This will also include suggested changes to the City Charter to maintain congruency with respective state law.

## **CONCLUSION**

It is now time for the City to move forward with the implementation actions as outlined in the Report and as structured in the proposed consulting agreement. This will allow the City to become more cost efficient in the delivery of services. This efficiency is accomplished by allowing NBS to provide the City with proven methods and structures of administrative practice and combining those tools with City Staff training. These actions will simultaneously reduce legal risk by updating the underlying data, documentation and procedures used to develop and authorize the respective charges upon property in the SFDs.