

July 19, 2021

VIA MESSENGER AND E-MAIL

Valley-Wide Recreation and Park District
Board of Directors
Nick Schouten
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901 W. Esplanade Ave.
San Jacinto, CA 92582

Re: Agenda Item 15:1: Comments on Tax Increases for Park Services in the City of Menifee and Request for Postponement of Adoption of Resolution 2010-21

Dear Board Members:

This letter is submitted on behalf of the City of Menifee (“**City**”), urging you to postpone your proposed July 19, 2021 action to increase levies and assessments, *i.e.*, taxes, on Menifee residents to pay for Valley-Wide Recreation and Park Districts’ (“**Valley-Wide**”) provision of park and landscape services within the City’s municipal boundaries. The postponement will give you additional time to address and respond to the issues raised in this letter. It will also give you the opportunity, as public stewards, to assure yourself that you have sufficient information to justify the significant additional financial burdens you propose to impose on Menifee residents.

The Engineer’s Report that you “preliminarily approved” on June 21, 2021 proposes assessments in the Menifee North Park and Landscape Maintenance District (“**Menifee North**”) that will, on a per parcel basis, increase by as much as 24% for fiscal year 2021/22, with an overall average rate increase of 8%. Proposed assessments for the Menifee South Park Landscape and Maintenance District (“**Menifee South**”) will, on a per parcel basis, increase by as much as 9% for the same fiscal year, with an overall average rate increase of 5%. Proposed assessments in the Menifee Parks Zone and Maintenance District No. 88-1 (“**Menifee Parks**”) will increase by as much as 10%, with an overall average increase of 3%. Proposed Resolution 1210-21 – included in your July 19, 2021 agenda packet – states that you are “satisfied with all matters as contained in the Engineer’s Report as now submitted for final consideration and approval.” Before you approve that Resolution, we ask that you carefully and thoroughly consider the issues raised in this letter.

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To begin, the significant increases in assessments proposed in your Engineer's Report stand in stark contrast to those imposed by the City of Menifee for park services. Assessments in the City's landscape and maintenance districts, and community service areas are proposed to increase 2.8%, and assessments in the City's community facilities districts ("CFDs") are proposed to increase 3.6%.

Your proposed assessment increases are even more staggering when viewed through a multi-year lens. Over the last three years, assessments in Menifee North have increased 33%, assessments in Menifee South have increased 19%, and assessments in Menifee Parks have increased 17.5%. These percentage increases represent significant additional financial burdens on Menifee residents. For example, Menifee North Zone 1 will see the assessment rate increase another \$87 per home, the third consecutive assessment rate increase since fiscal year 2018/19, yielding a total increase of \$244 per home – from \$199 to \$443 per home per year.

During that same period, assessments in the City's landscape and maintenance districts, and community service areas have increased 7%, and assessments in the City's CFDs have increased 8%.

These figures are disconcerting. The City utilizes the same utility providers, hires many of the same landscape contractors, and provides excellent park programming and services to Menifee residents. Yet the year-over-year assessment increases imposed by the City are less than half – and in some instances, less than a quarter – of the assessment increases charged by Valley-Wide. Even more troubling, on June 21, 2021 you approved Resolution 1205-21 stating that "there are no substantial changes in existing improvements in the Maintenance Districts." In other words, residents in Menifee North, Menifee South, and Menifee Parks are paying substantially more for their parks every year, but they are not receiving more or better improvements or services.

When you adopted Resolution 1206-21 at your last meeting, you stated that you "carefully examined and reviewed the Engineer's Report as presented," and you decided that you were "preliminarily satisfied with each and all of the budget items and documents as set forth" in the Engineer's Report. On that basis, you "approved on a preliminary basis" the Engineer's Report. Likewise, when you adopted Resolution 1207-21 you again "preliminar[ily] approved" the Engineer's Report, and claimed that it provides "a full and detailed description of the improvements to be maintained."

That "full and detailed description" leaves much to be desired. Rather than describing specific improvements, the Engineer's Report provides a boilerplate list of items that Menifee North "may include," "but are not limited to." Those include landscaping, planting, shrubbery, trees, turf, irrigation and drainage systems, trails, hardscapes, walls, site lighting and appurtenant facilities. Like the list of "improvements," "appurtenant facilities" are likewise relegated to a "may include" "but are not limited to" list comprised of "playground equipment, play courts, ball fields,

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and public restrooms in public right-of-way, easements” and “certain designated park sites and community centers.” As to maintenance, the Engineer’s Report states that the work includes “ordinary and usual maintenance and servicing of the improvements.” The Menifee South description of improvements and maintenance activities is, word-for-word, identical to the Menifee North Description. The Menifee Parks description is slightly different, but equally lacking in detail. From this information, it is clear that knowing the *actual* improvements and maintenance services in each district did not factor into the Engineer’s Report analysis. Put another way, the substantial increases in assessments against Menifee residents are not based on an understanding of specific needs for specific improvements, or unique circumstances applicable to, Menifee North, Menifee South, or Menifee Parks.

Finding no good answers for the substantial assessment increases in the list of improvements and maintenance activities, we are left to wonder why residents in Menifee North, Menifee South, and Menifee Parks should pay so much more for what they receive. But the whole point of an Engineer’s Report is to ensure that taxpayers, and the Board, are not left to wonder. The Engineer’s Report should explain the need for increases in clear and concise terms, so that the Board can be good stewards of the public’s finances.

A more detailed review of Valley-Wide’s past practices and the Engineer’s Report reveals more ambiguities, unanswered questions, and problems. For example, the Engineer’s Report includes a category of costs referred to as “Zone Maintenance Costs.” This category is vaguely defined, and is not a specifically permitted use for each of the impacted districts within the City. Reliance on this vague and improper cost category has substantially increased over the years. In the Resolution that you preliminarily approved, it represents 50% of the Menifee Parks District and 60% of the Menifee North District, even though there is no meaningful explanation or support for what that category funds and why it continues to grow each year.

It appears that you have moved more and more of the costs from the “Park Maintenance” category to the poorly defined “Zone Maintenance” category over the last three years. Since fiscal year 2018/19, cost allocations have shifted by 30% to 40% from “Park Maintenance” to “Zone Maintenance” without explanation. That stark *decrease* in “Park Maintenance” funding is confounding because, over that same period, the amount of physical park space within the paying districts has *increased*. Before you take action on item 15.1 and Resolution 1210-21, the Engineer’s Report and the Board both need to explain and justify why these costs are being moved and, ultimately, how and on what the “Zone Maintenance Costs” (and the ever-diminishing “Park Maintenance” costs) are used.

As an example, in fiscal year 2016/17 Menifee Parks Zone Annexation 1 and 2 (which were both annexed to finance neighborhood and regional park maintenance) were assessed \$301.50 and \$259.50 per home, respectively. However, in fiscal years 2018/19 through 2021/22 Zone Maintenance appeared for both Annexation 1 and 2 and the current assessments have

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increased to \$353.92 and \$316.10 per home, respectively, without a Proposition 218 proceeding to add services to the Zones. The excerpts below show each of the line items, comparing the Engineer’s Report for fiscal year 2016/17 to the Engineer’s Report for fiscal year 2021/22.

Annual Engineer’s Report Fiscal Year 2016/17, Menifee Parks Annex 1 and 2:

Description	Annex 1	Annex 2
Park & Transportation Corridor Maintenance Costs	\$27,979.20	\$19,722.00
Zone Maintenance Costs	0.00	0.00
Administrative Costs	4,196.88	2,958.30
Park CAM Costs	2,797.92	1,972.20
Zone CAM Costs	0.00	0.00
Total Costs	\$34,974.00	\$24,652.50
Current EDUs	116.00	95.00
2016/17 Rate per EDU	\$301.50	\$259.50
2016/17 Maximum Rate per EDU	\$353.92	\$353.92

Annual Engineer’s Report Fiscal Year 2021/22, Menifee Parks Annex 1 and 2:

Description	Annex 1	Annex 2
Park & Transportation Corridor Maintenance Costs	\$11,096.39	\$9,087.56
Zone Maintenance Costs	21,747.38	14,936.04
Administrative Costs	4,926.57	3,603.54
Park CAM Costs	1,109.64	908.76
Zone CAM Costs	2,174.74	1,493.60
Total Costs	\$41,054.72	\$30,029.50
Current EDUs	116.00	95.00
2021/22 Rate per EDU	\$353.92	\$316.10
2021/22 Maximum Rate per EDU	\$353.92	\$353.92

The foregoing shows that Valley-Wide has decreased the amount set aside for Park Maintenance while increasing the amount needed for “Zone Maintenance” without justification or explanation. This is improper, and must be explained.

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The Engineer's Report also indicates that Valley-Wide is collecting \$720,000 for "Administration" from Menifee residents when the main offices for Valley-Wide are owned and operated outside of the City. The Engineer's Report provides no detail as to what benefit Menifee citizens receive for these exorbitant costs, and we respectfully request that you provide and evaluate that detail before approving the proposed assessment increases.

As to capital reserves, the Engineer's Report proposes a year-over-year charge of 20%, amounting to approximately \$490,000 for fiscal year 2021/22. These funds are presumably to be used for the upkeep, maintenance and improvement of the parks within Valley-Wide's jurisdiction, some of which are sorely in need of repairs and improvements. Please confirm precisely what the "Capital Reserves" will be used for.

We are also concerned that, even though Menifee South Zone 1 has very little landscaping, you have proposed a 16% increase to the maximum allowable rate, after increasing 13% in the prior two years for an overall increase of 29% in three years. The Engineer's Report does not even attempt to explain why the increase is necessary, and the facts on the ground cast serious doubt as to the appropriateness of these additional charges.

Last, the Engineer's Report incorrectly calculates the total assessment that can be applied to Menifee South Zone 16. It states that the assessment to be imposed on Menifee South Zone 16 should equal \$61,729.70 by charging the proposed rate change (\$268.39) on a *per unit* versus a *per EU or EDU* basis. However, the property within Menifee South Zone 16 is described a 230-unit condominium complex, per the fiscal year 2008/09 report which states "Condominium units are typically smaller than the average SFR and as a result are assigned a lower EU. . . (230 condominiums x 0.60 = 138 EU)." This conversion ratio is confirmed in the fiscal year 2021/22 Engineer's Report. (See Engineer's Report, p. 30 [condominiums have an assigned EDU value of .60].) Therefore the maximum assessment for fiscal year 2021/22 should be \$268.39 x 138 for a total assessment of \$37,037.82. Your proposed assessment is \$61,729.70, which is **\$24,691.88 more** than the approved method of apportionment. Further compounding the error, this property is actually one (1) apartment complex, not condominiums.

The issues raised in this letter merit serious consideration. Increasing assessments on taxpayers is a significant step which should be taken, if at all, only after a clear and compelling justification for the increase has been provided. The Engineer's Report that you have preliminarily approved proposes (i) assessment increases that are more than double the increases proposed by the City for its parks, and (ii) changes to services without a Proposition 218 process. Those are issues that demands both factual and legal explanations. But no good explanation is found in the Engineer's Report, or any other publicly available information.

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With those considerations in mind, we respectfully request that you continue this matter until such time as clear and satisfactory answers to the issues raised in this letter are provided to you, the public, and the taxpayers.

Very truly yours,

RUTAN & TUCKER, LLP



Jeffrey T. Melching

JTM

cc: Armando Villa, City Manager, City of Menifee (via email)
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