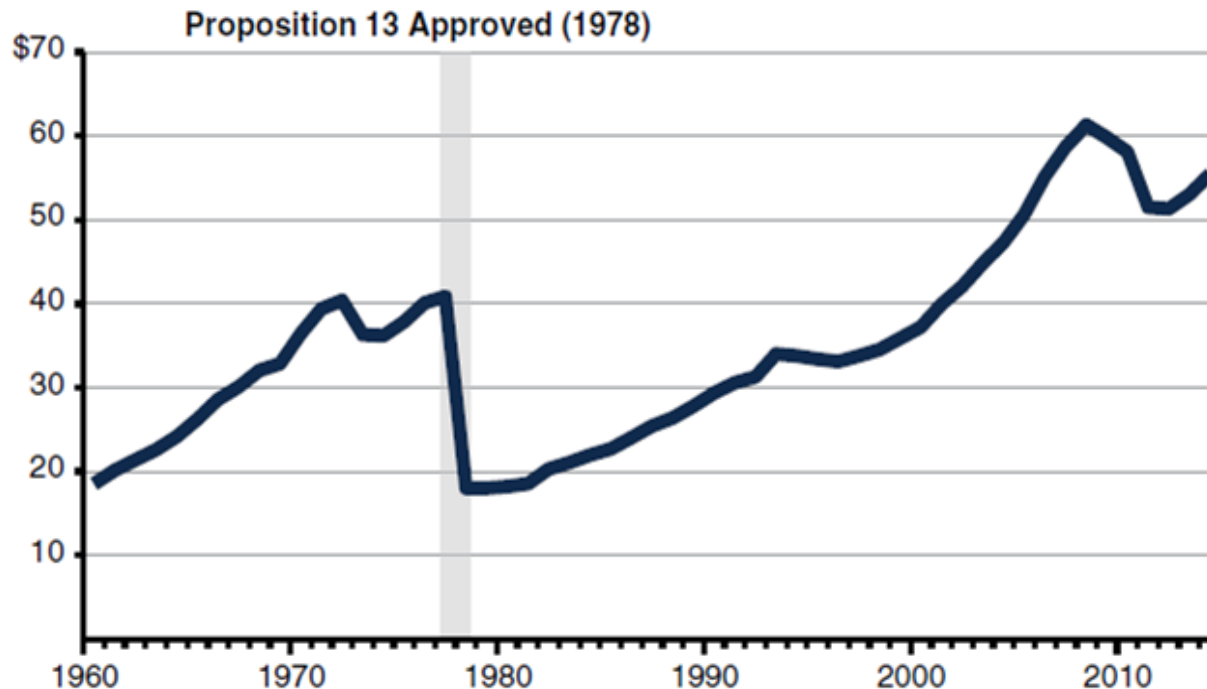# Why are we here today?

Local Government Revenue Dropped Immediately After Proposition 13

Local Government Annual Property Tax Revenue (In Billions, 2014-15 Dollars)

Proposition 13 Approved (1978)

Why are we here today?

Property Taxes:

> 1977: > 90% of local
city/county revenues

> 2016: < 66%

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Why are we here today?

What filled the gap?
- Sales taxes
- Hotel taxes
- Utility taxes
- **Parcel taxes**
- **Community Facilities Districts/CFD**
- **Special assessments**
- **Fees, rates and charges**

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What are your priorities?

Economic Development

Infrastructure

Ongoing Services

Lunch???

The fundamental process

1

> **Develop Priorities**

2

> **Choose SFD Tool(s)**

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Priorities and policies

1

Priorities

Community needs and desires, fully vetted...

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Choosing funding and financing tools

1

2

Priorities

SFD Tools

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Capital vs. services

One-time capital investment

SFD options

Ongoing services

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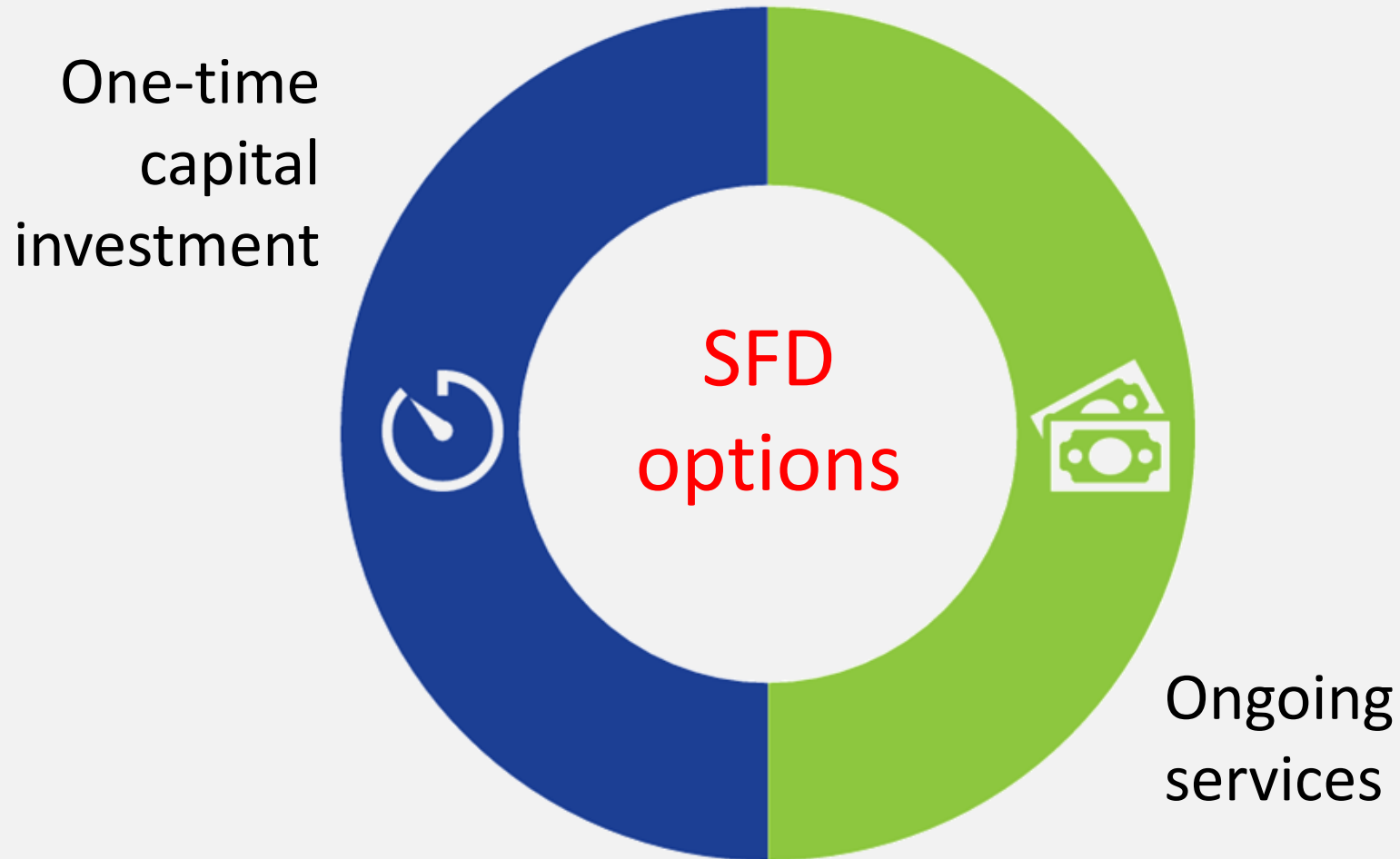
Capital vs. services

Taxes vs.
Assessments

California Constitution

SFD revenue tools: The short list

1	**Community Facilities District, or CFD**
2	**"Special" Parcel Tax**
3	**Special Assessment Districts**
4	**The others: Property-related fee, EIFD?**

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Financing tools: A short list

1	**Municipal bonds, taxable or exempt**
2	**State Revolving Funds/iBank/Other**
3	**P3?**
4	**Bank Loans**

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Let's talk economic development…

- Community infrastructure or provision of services
- Downtown revitalization or conference center/hotels
- Infill Development

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Downtown Burlingame Avenue

- Years of neglect and lack of consensus

- Funding challenges

- Interests coalesce

- Special assessment passed

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San Francisco SOMA Plan Area

- Opt in CFDs

- Max revenues

- Trade off for increased height limits

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Let's talk infrastructure...

- Water/Wastewater/Recycled Water
- Streets and Storm Drains
- Civic Improvements

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Los Carneros Recycled Water

- Special assessment
- Recycled water infrastructure
- Strong community support

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Santa Cruz County Libraries

- CFD
- Renovate and rebuild libraries
- Community-wide support

Let's talk services...

Stormwater/NPDES

Schools and Libraries

Public Safety

Let's keep talking about services...

Groundwater (GSA/GMA)

Inspections/Code Enforcement/Prop 64/Etc.

???

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SF Bay Restoration Authority

- Parcel tax across 9 counties
- Bay restoration, and sea level rise?
- Voter approved tax

"Fun" facts: 36-66" sea level rise forecast, with 11,000,000 passengers per year at OAK, and 35,000 residents in Foster City...

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City of Culver City

- Parcel tax for stormwater/NPDES
- Creek restoration/environmental perspective
- Voter approved tax

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CFDs and Parcel taxes

NOT BENEFIT-BASED

- Reasonable metrics
- Achieves local goals and policies

APPROVAL MECHANISM

- Voter approved, still 2/3 required
- CFD landowner vote(s)

SAMPLE PROJECTS

- Schools and libraries
- New development
- Open space acquisition and maintenance

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Special Assessments

ARE BENEFIT-BASED	APPROVAL MECHANISM	SAMPLE PROJECTS
• General benefit • Rigor of assessment engineering • Still viable…	• Property-owner • Protest ballot • 50% + protest?	• Infrastructure, new and replacement • Ongoing maintenance • PBIDs/CBDs

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Property-related Fee (*not* water, sewer, trash)

ANALYTICAL RIGOR

- Voluntary nature?
- Analytical analysis

APPROVAL MECHANISM

- "Property-based fees" balloted

SAMPLES

- Palo Alto Storm drain fee
- CSA fees for roads, fire, etc.

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Examples

Case studies:

1. CFD for public safety

2. Parcel tax for recreation and park services

3. Benefit assessment for fire services

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CFD: Vacaville (developer-driven)

NEEDS AND POLICY AIMS

- Provide public safety services
- Mitigate negative fiscal impacts
- Fairness to payers

FORMATION AND APPROVAL

- Research and analysis
- Develop RMA (tax formula)
- Ballot and waiver (2/3)

ANNUAL ADMIN

- Tracking, calculating, and collections
- Responding to inquiries
- Annual reporting

INITIAL FORMATION

ONGOING

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Parcel tax: GVRD

NEEDS AND POLICY AIMS

- Maintain parks
- Provide services for many users
- Fairness to payers

FORMATION AND APPROVAL

- Research and poll
- Educate and inform
- Develop tax formula
- Mailed ballot election (2/3)

ANNUAL ADMIN

- Tracking, calculating, and collections
- Responding to inquiries
- Annual reporting

INITIAL FORMATION   **ONGOING**

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Benefit assessment: ECCFPD

NEEDS AND POLICY AIMS

- Maintain fire suppression services (Post 13 district)
- Fairness to payers

FORMATION AND APPROVAL

- Community discussions
- Detailed research
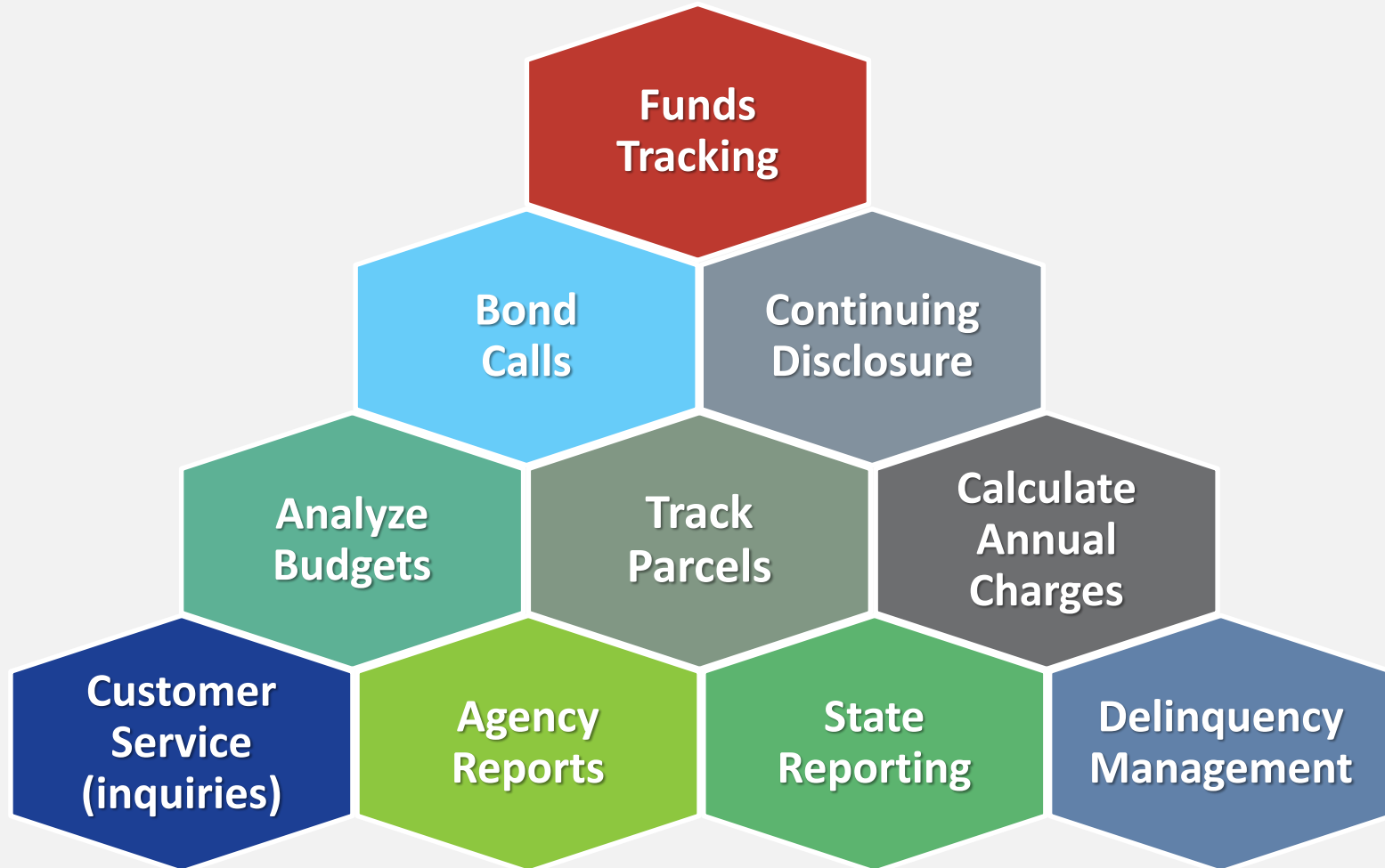- Educate and inform
- Dev assessment
- Protest ballot (50%)

ANNUAL ADMIN

- Tracking, calculating, and collections
- Annual Engineers Report
- Inquiries
- Annual reporting

INITIAL FORMATION → **ONGOING**

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Annual administration process

Funds Tracking

Bond Calls

Continuing Disclosure

Analyze Budgets

Track Parcels

Calculate Annual Charges

Customer Service (inquiries)

Agency Reports

State Reporting

Delinquency Management

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Recommended resources

Additional Resources:

- League Municipal Revenue Handbook

- NBS' SFD Primer and Compendium

- League and CSDA Proposition 218 Implementation Guides

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CSMFO Revenue Fundamentals II:

Utility Rate Discussion

Tim Seufert
NBS

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Utility rates and property-related fees

- Utility rates for water, sewer, trash
- Other "property-related fees"
- Capacity/connection fees

What the heck?

- Terminology: Fee vs rate vs tax

- Three "exceptions"

- Who provides service?

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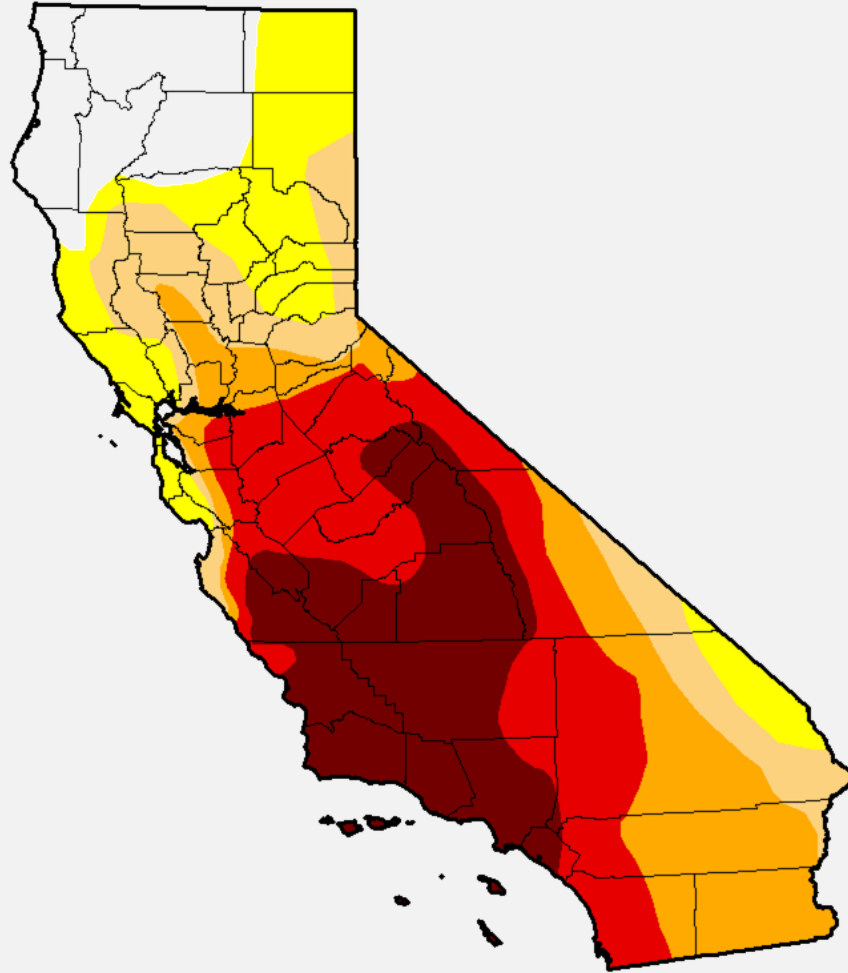# Water rate-making in California today

Water rate-making in California today

What is in the Gumbo?

- Drought effects

- Legal challenges

- Revenue instability

- Recycled water needs (DPR anyone?)

- Groundwater issues and challenges

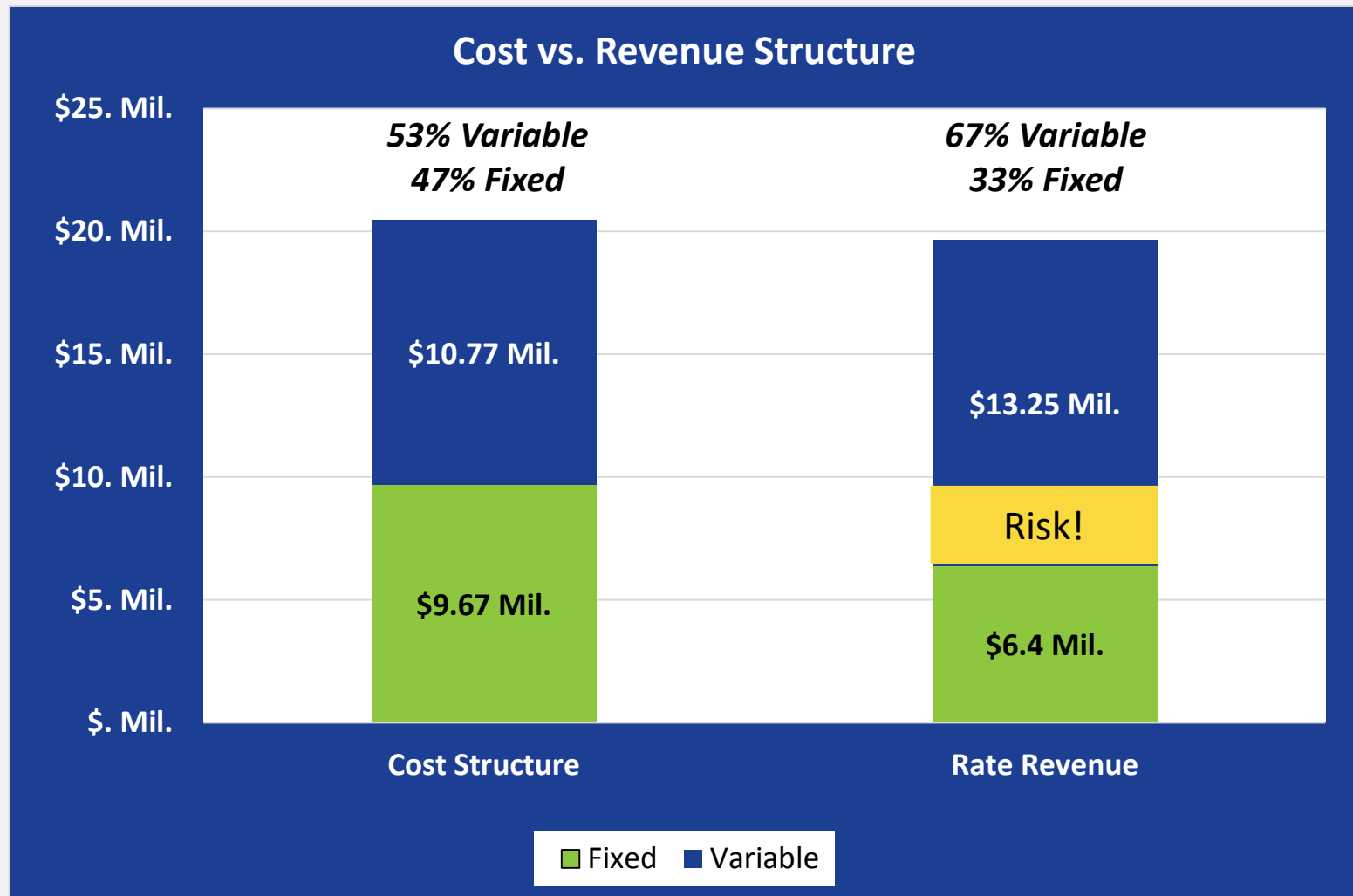- Critical capital infrastructure needs

California Drought Conditions

Legal challenges and more…

Bighorn case started it all…

- San Juan Capistrano tiered rate challenge

- Palmdale customer class case

- Wastewater challenges

- Town of Hillsborough penalties

- Etc.

[+ class actions?]

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Revenue instability

Cost vs. Revenue Structure

53% Variable
47% Fixed

67% Variable
33% Fixed

$25. Mil.
$20. Mil.
$15. Mil.
$10. Mil.
$5. Mil.
$. Mil.

$10.77 Mil.

$13.25 Mil.

Risk!

$9.67 Mil.

$6.4 Mil.

Cost Structure

Rate Revenue

☐ Fixed ☐ Variable

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Encouraging conservation, beyond tiers

Fines and Penalties
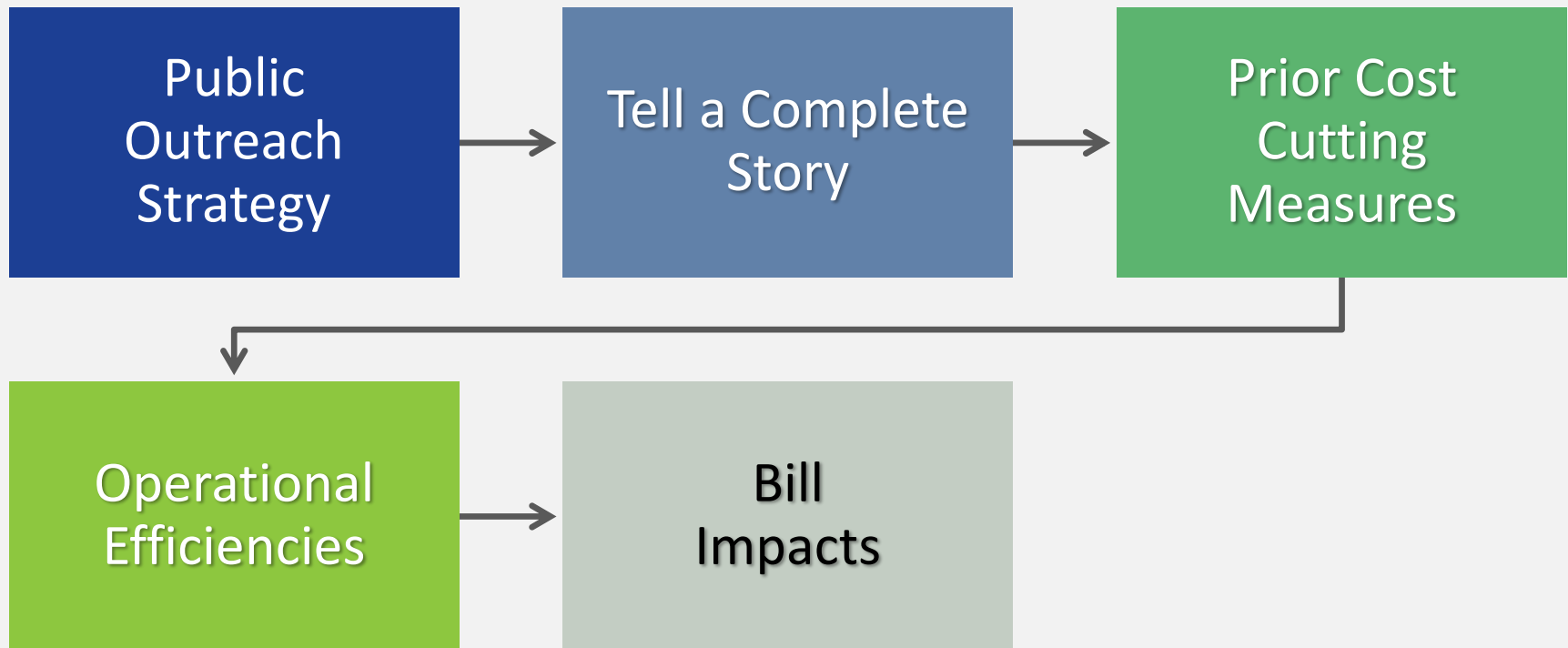
Incentives and Rebates

Communication

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More on communication
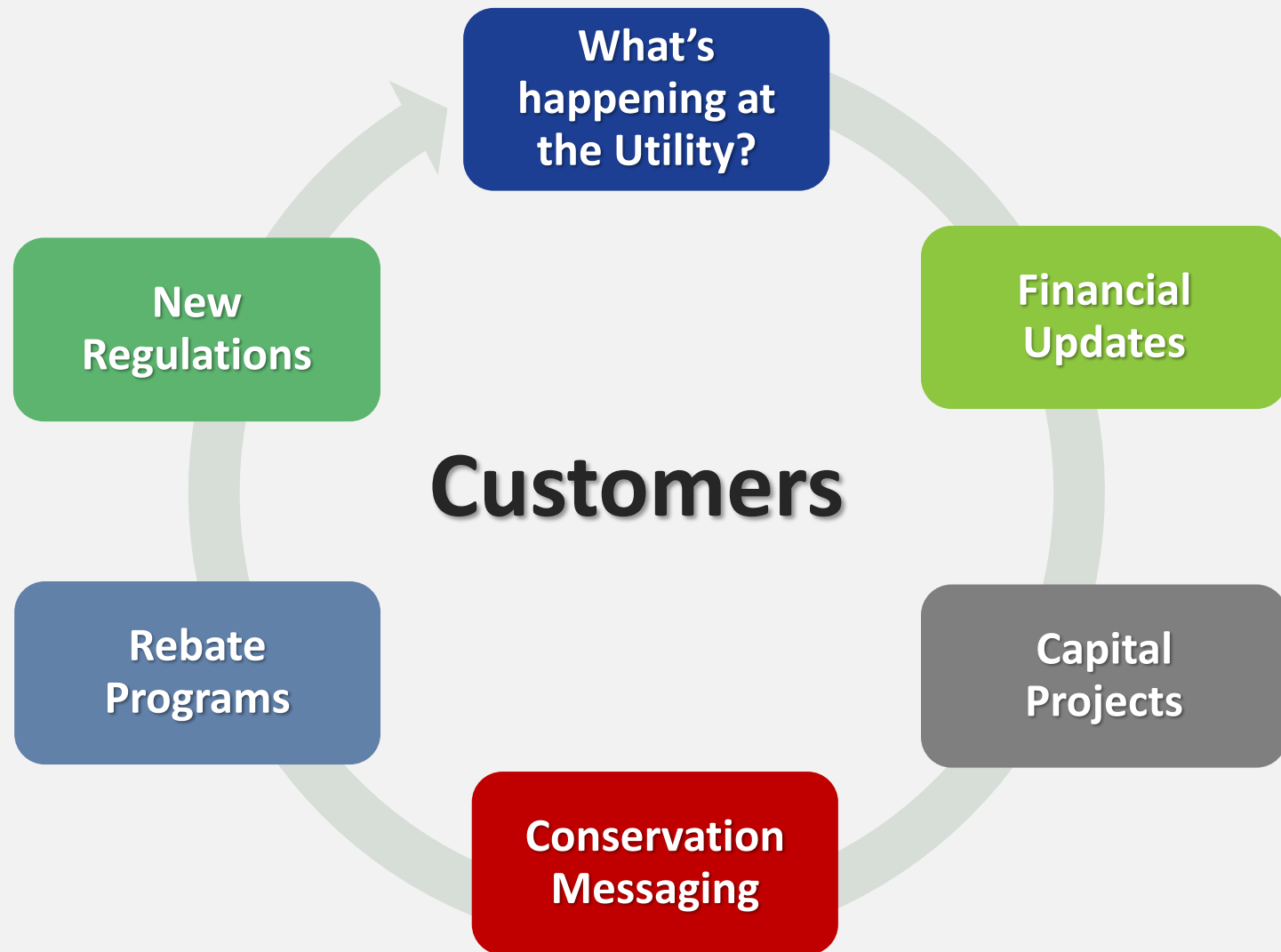
Keys to a successful rate setting process

Senate Bill 814

- **Objective:** During a state of emergency or local water supply shortage, establish a method to identify and discourage excessive water use.

- **Targeted water usage:** Single-family residential customers or individually metered (or sub metered) multi-family residential customers.

- **How to comply:** Rate structure *or* excessive use ordinance and penalties.

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Meeting SB 814 requirements

Rate Structure

- Addition to base rates to discourage excessive use
- Tiered rates
- Water budgets
- Rate surcharges

OR

Excessive Use Ordinance

- Definition/procedure to identify and address excessive water use
- Process to issue written warnings and perform site audit
- Penalty or fine of up to $500/hcf used above excessive use threshold

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Draft Framework - Executive Order B-37-16

Four Main Objectives:

- ✓ Use Water More Wisely

- ✓ Eliminate Water Waste

- ✓ Strengthen Local Drought Resilience

- ✓ Improve Agricultural Water Use Efficiency and Drought Planning

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Anatomy of a water/sewer rate study

Developing a cost basis for rates

Accounting/Cost

Water Supply

System Design/Operation

Case in point on wastewater…

City of Sausalito study

- Volumetric rates

- Enhanced analysis of customer classes and usage data

- Better synchronicity between residential and non
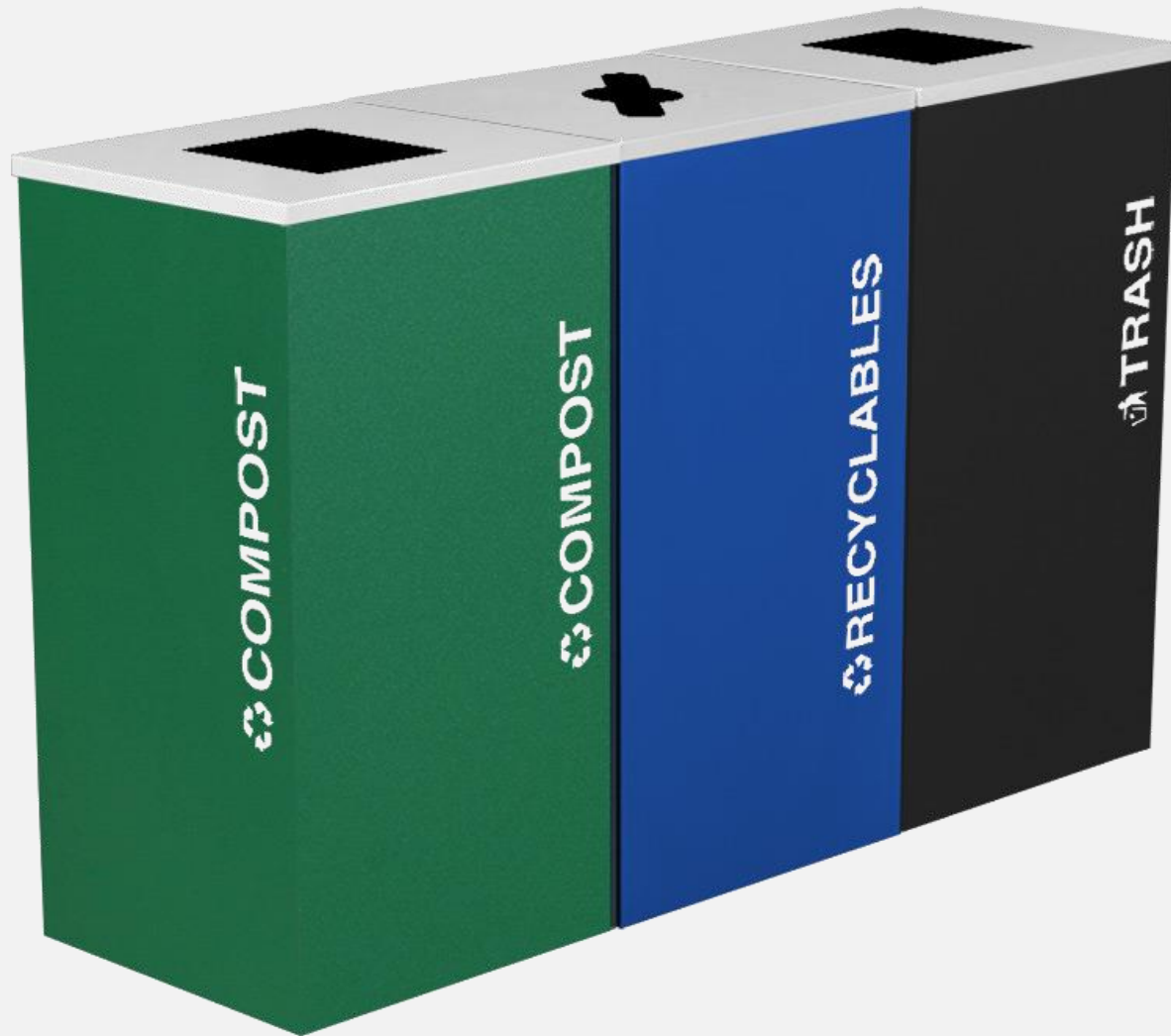
- Marin Grand Jury comments

Storm drain fees?

Still need analysis and approval process

- Property-related fee?

- Parcel tax?

- G.O. bond?

- DIF?

- Etc.

Trash, recycling, composting...

Trash, recycling, composting...

Some of the issues:

- Conundrum of encouraging more recycling vis a vis cost

- Cost allocation/rate setting between different sizes of cans, and residential vs. commercial

- Developing [expensive] composting systems for green waste

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Questions and Comments

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