

EVERYTHING YOU WANTED TO KNOW ABOUT RATES, FEES, AND CHARGES BUT WERE AFRAID TO ASK.

By Tim Seufert,
NBS



DISCUSSION ITEMS

- ▶ A brief history of FINANCE, from the 70's!
- ▶ An OVERVIEW of utility rate issues
- ▶ A DISSECTION of cost allocation and fees
- ▶ The PRIMER on Special Financing Districts
- ▶ More resources
- ▶ Q&A

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HOW DID WE GET HERE?

Proposition 13 and the
tax revolt



New legislation and
administrative
rules/guidelines



Court cases



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THE METER IS RUNNING ... ALL THE TIME



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WHY IS THE METER IGNORED?

It could be because ...

1. Board/council is worried about the next election
2. Board/council members have said, “no new taxes!”
3. No one has quantified the subsidies from the general fund
4. Lack of technical knowledge
5. No staff, no time, deadlines deadlines deadlines!

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WHAT DOES THIS COST YOU?

1. Lost revenues are lost, forever
2. Tune up fees and rates
3. Carefully consider new revenue options
(71% +/- are successful)

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AN OVERVIEW OF UTILITY RATE ISSUES

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OVERVIEW OF RATE STUDY COMPONENTS (WATER/WASTEWATER)

Financial Plan /
Revenue
Requirements

Cost-of-Service
Analysis

Rate Design

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WATER RATES

- ▶ Conservation rates
- ▶ Recycled water rates
- ▶ Volumetric trends and challenges
- ▶ “Social Justice” rates?

Note: Wednesday rate session

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WATER RATES – CASE STUDY:

City of XYZ

- ▶ Extra-territorial rates challenged
- ▶ Cost structure
- ▶ Rate structure
- ▶ *Stay tuned!*

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WASTEWATER RATES

- ▶ To be volumetric or not to be?
- ▶ Public education and outreach
- ▶ Capital investment

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WASTEWATER RATES:

City of Sausalito

- ▶ Enhanced analysis of usage and customer classes
- ▶ Public education and outreach
- ▶ New Volumetric rate structure syncs residential and commercial rates
- ▶ *Notable Marin Grand Jury comments*

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FOCUS ON STORM DRAIN \$

- ▶ The bar has been raised

Forms of funding:

- ▶ Development Impact Fees
- ▶ Property-related fee?
- ▶ Special assessment or tax?
- ▶ Pennies from heaven (water, sewer, trash)
- ▶ *New P3 possibilities?*

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STORMWATER RATES – AVAILABLE FUNDING MECHANISMS

Summary of Broader Funding Mechanisms Applied to Stormwater Programs

BMPs	FUNDING OPTIONS
1. Watershed Planning	<ul style="list-style-type: none"> Property Taxes Stormwater User Charges
2. Source Controls	
Enforce Ordinances	<ul style="list-style-type: none"> General Fund Revenues Stormwater User Charges
Development Regulations	<ul style="list-style-type: none"> Plan Review and Inspection Fees
3. Maintenance Activities	<ul style="list-style-type: none"> General Revenues Stormwater User Charges Landscape Assessment Districts
4. Capital Improvements	
New Development	<ul style="list-style-type: none"> Developer Exactions In-lieu Fees
Retrofit Existing Areas	<ul style="list-style-type: none"> Bonds Sinking Funds General Revenues Stormwater User Charges Landscape Assessment Districts or Benefit Assessment Districts

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DISSECTION OF COST ALLOCATION AND FEES

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GENERAL GOVERNMENT FEES:

- ▶ Cost Allocation is the foundation
- ▶ Have a robust policy discussion
- ▶ Understand the numbers and subsidies
- ▶ Develop a Master Fee Schedule
- ▶ Review and update on regular timeframe

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COST ALLOCATION PLAN

- ▶ Defines overhead services costs
- ▶ Allocates costs fairly and equitably to service providing departments
- ▶ Helps recover costs through:
 - ✓ *fully burdened rates / fees,*
 - ✓ *annual transfers,*
 - ✓ *grant reimbursements,*
 - ✓ *charges to outside agencies*
- ▶ May / may not meet OMB A-87 requirements

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COST ALLOCATION GUIDANCE

- ▶ **Office of Management and Budget: OMB CFR Title 2, Part 200 (effective 2015) ~~Circular A-87~~ 2CFR Part 225:** governs indirect cost rates and cost allocation plans.
- ▶ **Attachment D of OMB A-87:** contains specific requirements related to public assistance cost allocation plans including submission requirements.
- ▶ **ASMB C-10:** is the companion guide to OMB A-87
- ▶ **Office of Grants and Acquisition Management (OGAM)**
- ▶ **Action Transmittal 98-2:** a circular distributed by the OGAM in 1998 to clarify OMB A-87 and ASMB C-10 references to “Benefiting Programs”.
- ▶ **“Review Guide for Public Assistance Cost Allocation Plans”:** guide to assist DCA negotiation staff in their review and approval of plans and amendments.
- ▶ **California State Controller Handbook of Cost Plan Procedures for California Counties:** handbook developed to assist CA agencies in the application of the cost principles established by OMB A-87

USER AND REGULATORY FEES

- ▶ **User Fees:** Charges imposed for a service provided or required due to the request or action of an individual/entity
- ▶ **Regulatory Fees:** Charges imposed to recover costs associated with the City's power to govern certain activities
 - ✓ Cost recovery opportunities
 - ✓ Revenues which the City Council / Board implements
 - ✓ NOT: Taxes, Fines, Development Impact Fees, Utility Rates, etc.

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BENEFITS TO FEE UPDATES

- ▶ Reduce General Fund subsidy
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- ▶ Realize revenue for services reduced or eliminated:
 - ✓ *Police and Fire Services*
 - ✓ *Recreation Programs for youth & seniors*
 - ✓ *Street Maintenance*
- ▶ Fund departments efficiently
- ▶ Set realistic expectations for cost recovery

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FEE GUIDANCE

▶ Proposition 218 Section 6.2(b)2

- ✓ “Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed”
- ✓ Must Pair Revenues to Costs - *What are the Costs?*

▶ CA Government Code §66014(a)

- ✓ “Those fees may not exceed the estimated reasonable cost of providing the service for which the fee is charged”
- ✓ Focus on “Estimated Reasonable”

▶ Proposition 26

- ✓ Article XIIC§1(e)(3) Inspections and Regulatory Permits are exempt ...however are still limited to the local government’s reasonable costs.

GENERAL GOV'T FEES – CASE STUDY:

CITY OF SEASIDE



- ▶ Brutal budget and staffing cuts
- ▶ Years since fees reviewed
- ▶ Education with council and public

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THE PRIMER ON SPECIAL FINANCING DISTRICTS (SFD)

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LEGISLATIVE AND LEGAL UPDATE /TRENDS

- ▶ 2/3 approval for parcel taxes and CFDs
- ▶ CFD Shapiro San Diego case...
- ▶ Assessments still viable
- ▶ General Fee “right sizing”
- ▶ The Buzz about EIFD, or TIF?

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SPECIAL FINANCING DISTRICTS – SPECIAL ASSESSMENTS AND TAXES

- ▶ Courts looking over our shoulders...
- ▶ Best practices for assessment engineering
- ▶ Be creative and selective in feasibility analysis...

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SPECIAL FINANCING DISTRICTS – SPECIAL ASSESSMENTS AND TAXES

- ▶ Pay as you go?
- ▶ Leverage infrastructure with debt?

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SPECIAL FINANCING DISTRICTS – SPECIAL ASSESSMENTS AND TAXES

Forms of Debt

- ▶ Municipal bonds
- ▶ Bank loans
- ▶ State Revolving Fund (SRF)
- ▶ i-Bank
- ▶ Others

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SPECIAL ASSESSMENT – CASE STUDY:

BURLINGAME – DOWNTOWN IMPROVEMENTS



- ▶ Downtown Burlingame Avenue years of deterioration
- ▶ Funding challenges
- ▶ Disparate interests coalesce

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SPECIAL TAX / CFD – CASE STUDY:

PACHECO VALLE / CITY OF NOVATO



- ▶ Community led effort
- ▶ CFD tax on area parcels
- ▶ 95% voter approval

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PARCEL TAXES:

**SANTA CLARA VALLEY WATER DISTRICT,
MARIN EMERGENCY RADIO AUTHORITY, GREATER VALLEJO RECREATION DISTRICT**

- ▶ Focused needs
- ▶ EXTENSIVE outreach is key
- ▶ Stay on point



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SUMMARY

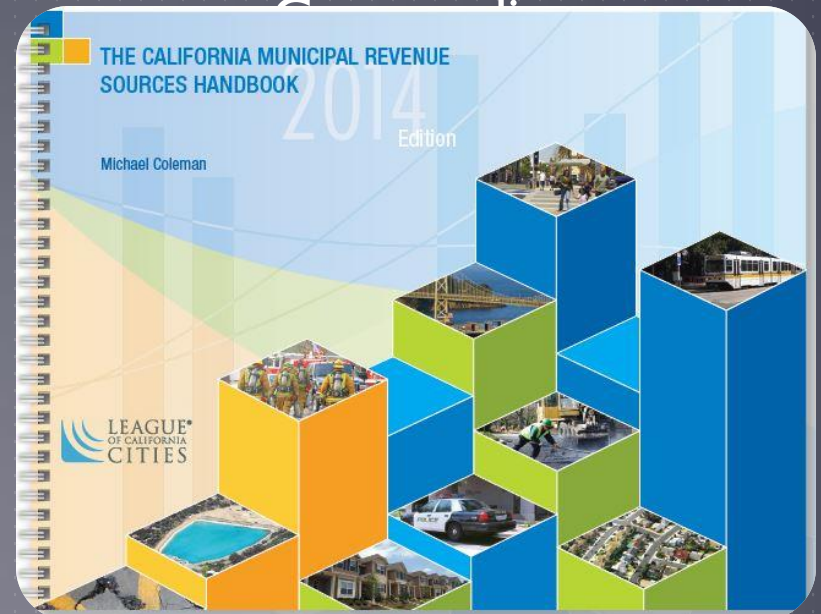
- ▶ Do the analysis and know the numbers
- ▶ Have robust policy discussions
- ▶ Take action(s)
- ▶ Repeat often!

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ADDITIONAL RESOURCES

- ▶ League Municipal Revenue Handbook
- ▶ NBS Rate/Fee
- ▶ NBS SFD Primer
- ▶ League/CSDA Prop 218 Guides
- ▶ Guide To Local Government Finance in California
- ▶ The Simpsons!
- ▶ Etc.



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