What about CSA's and other Revenue Tools?

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League of California Cities
RURAL CITY
Information Exchange

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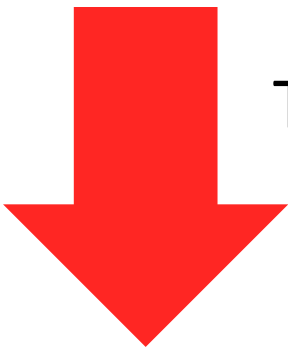helping communities
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Why this OBSESSION with revenues?
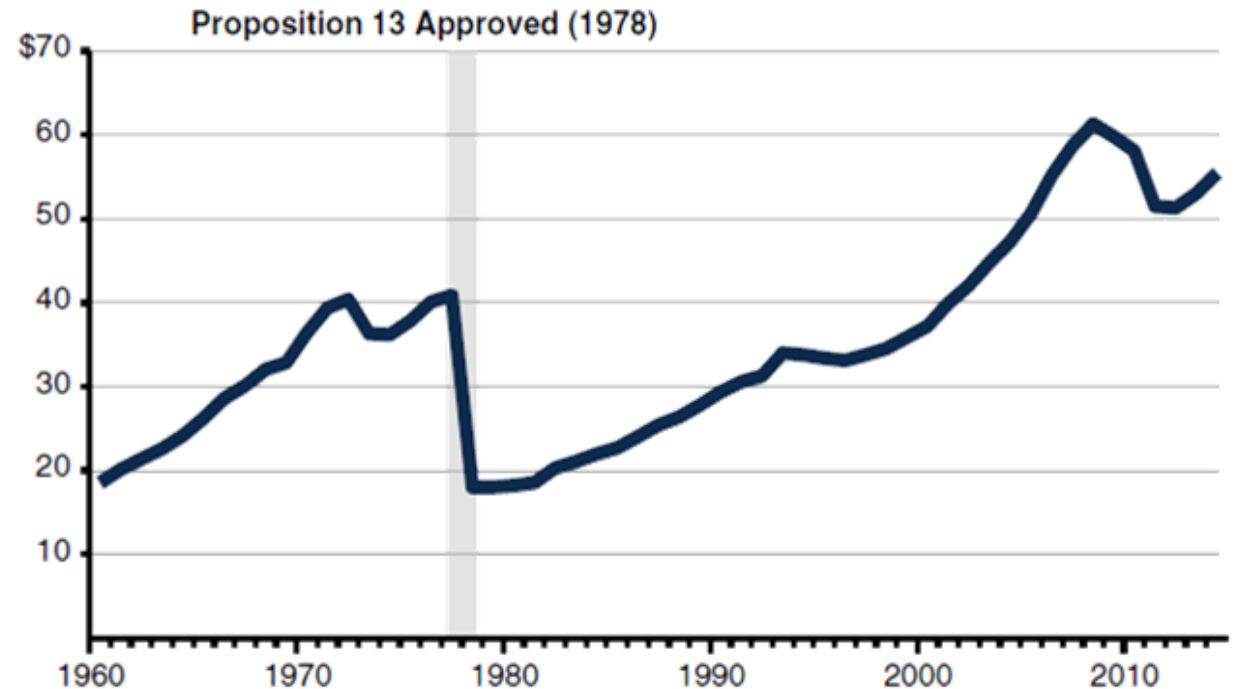
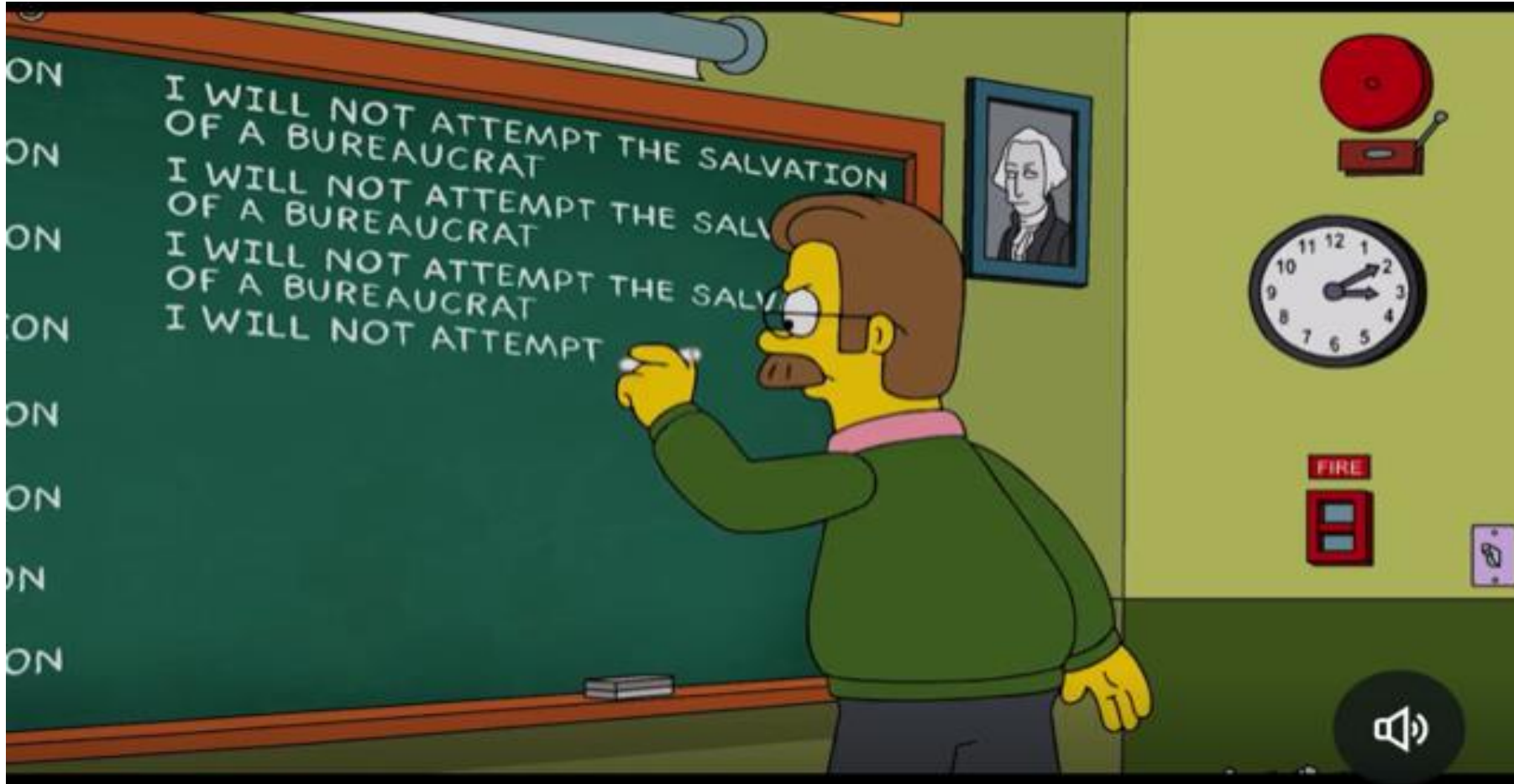# Why the OBSESSION?

1977: > 90%

Today: < 66%

Local Government Revenue Dropped Immediately After Proposition 13

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

Proposition 13 Approved (1978)

Is there Salvation?

Piecemeal Salvation…

What primarily filled the gap?

- Sales/Hotel/Utility taxes
- Parcel taxes
- Community Facilities Districts/CFD
- Special (Benefit) assessments
- Rates, fees and charges
- *CSA property-related fees*

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CSA examples

Property-related fees charged - CSA provides 'municipal' services including:

- Yolo County CSA 10 provides water, sewer, storm drain, street lighting and public landscaping services

- San Diego County CSA 135 provides regional communications system and fire protection/EMS

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County Service Areas/CSAs

Some references:

- Senate Bill 1458 (2008-2009)

- CALAFCO - https://calafco.org/sites/default/files/resources/STPIPublication.pdf

- https://www.nbsgov.com/featured/what-the-heck-is-a-csa/

County Service Areas/CSAs

<u>What can they do?</u>

- Provide a wide array of local (municipal) services and infrastructure
- Often includes police, fire, ambulance, roads, parks, broadband services, etc.

    > A CSA may provide any service or facility that a County may provide

<u>How are they governed and funded?</u>

- They are not independent special districts
- They can overlap city and county boundaries
- SB 1458 (2009) cleaned up and modernized the CSA laws (after 60 years!)

    > CSAs may receive general property taxes, charges rates/fees, and incur debt

Santa Cruz County Libraries

- CFD 'parcel tax'
- Renovate and rebuild libraries
- Community-wide support
- Registered voter vote

Regional Parks-related Parcel Tax Measure

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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Los Carneros Area Recycled Water Infrastructure

- Special/benefit assessment
- Recycled water infrastructure
- Strong community support
- Property-owner ballot process

WINNER: Water Hero Award

What was common factor with these tax, fee, and assessment case studies?

Engagement and Collaboration

Public Engagement – Why It Matters

- Local governments need the input of residents to make informed decisions

- The best ideas and policies often fail if the stakeholders are excluded from the process

- Including the public in collaborative governance facilitates trust and accountability

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Key Pitfalls

- Overpromising

    - Can result from underestimating the time, resources, and expertise needed

    - This applies to both the process (engagement) and the policy change (outcome)

- Public Misunderstanding

    - Goes both ways as the public may misunderstand the policy proposal and the local government may misunderstand the values and priorities of the public

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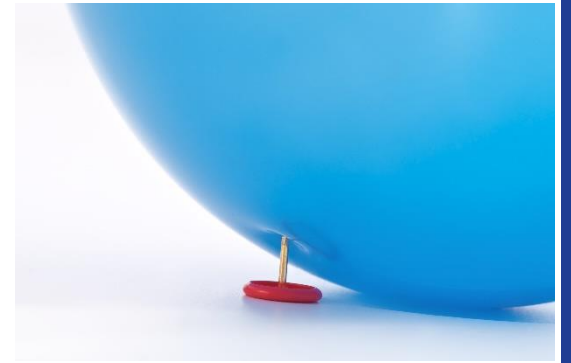
Barriers to Success for Public Engagement

- Internal Readiness

    - Do elected officials understand the process?

    - Do they have time for the process?

    - Is there a willingness to experiment?

    - Is there funding available?

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Barriers to Success for Public Engagement

- External Readiness

    - Is the community aware that there is a problem?

    - What is the community's level of trust in the agency?

    - Are there language, cultural, geographic, or economic

        barriers to participation?

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Managing Expectations and Capacity

- Understanding your organizational capacity at the outset of a project will make the process much easier

  - Not always possible

  - Don't overestimate time/resources or underestimate difficulty

- Setting clear expectations from the beginning is crucial

  - Internally with staff

  - Externally with the public

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Levels of Public Engagement
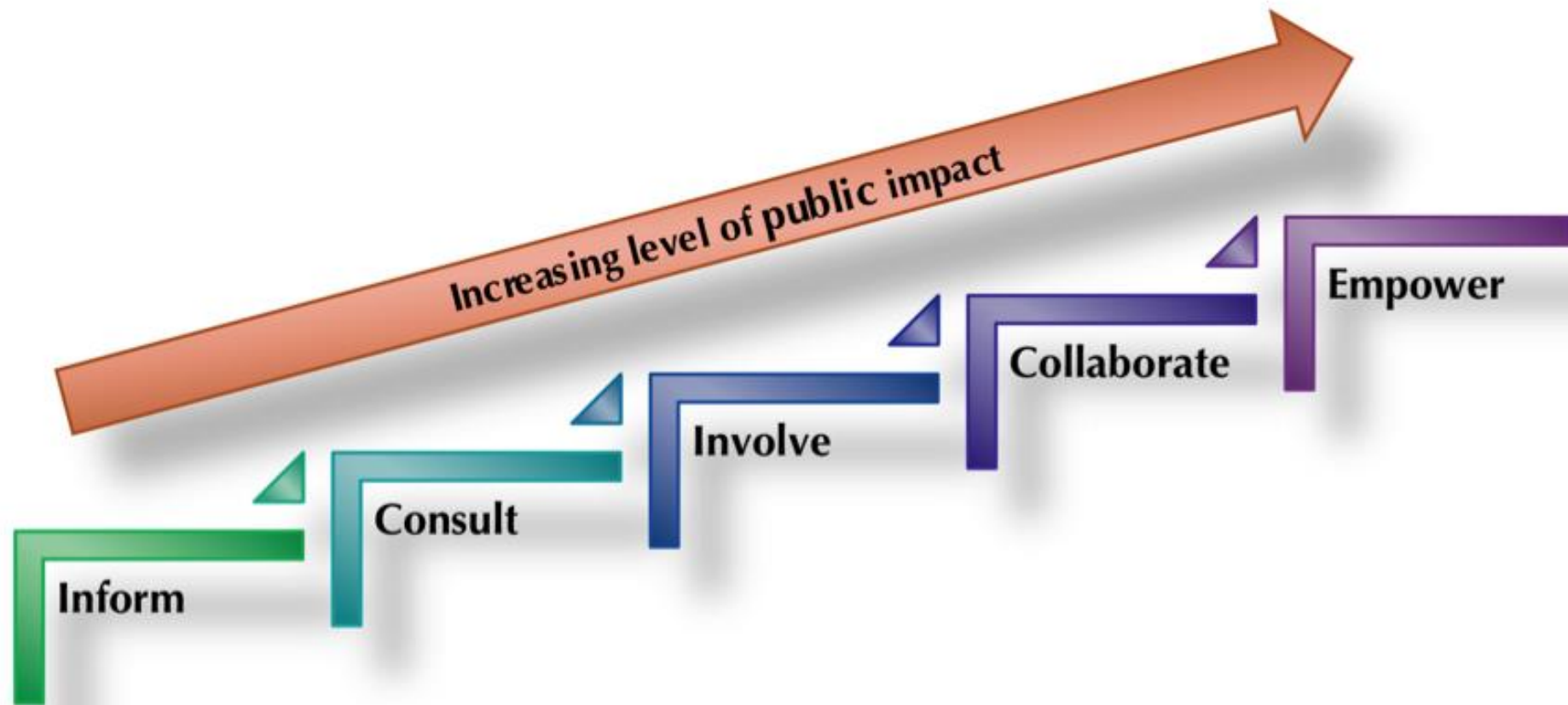
Key Distinction: Outreach vs Engagement

- Public Outreach

  - Emphasis on informing and/or communicating with the public

  - Communication tends to be one way

  - Often an integral part of the broader engagement process

- Public Engagement

  - Emphasis on including the public in the decision making

  - Communication is necessarily two-way

  - Overlying goal is to have community members influence and/or

  determine final policy decisions

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Outreach – Tools to Provide Information

- Education/Awareness

  - Flyers

  - Informational Meetings

  - Website

  - Social Media

- Transparency

  - Availability of documents like resolutions, financial reports,

  engineer's reports, etc.

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Engagement – Tools to Gather Information

- Contact Lists

- Community Workshops

- Advisory Committees

- Polls

- Surveys

- Contests

- Virtual Meetings (webinars with participation)

- Community Building

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Successful Public Engagement Methods

Community Workshops

Community Workshops

- Workshops offer a great way to bring community members together to understand and address problems

- A wide range of topics can be covered, but the most salient issues should be prioritized

- The following are features of successful workshops:

  - Can be formal or informal, but must be structured

  - Organized by staff but ultimately led by the community

  - Hosted at a location that is accessible to as much of the community as possible

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Surveys

- Surveys are a highly efficient tool to measure public knowledge, gather input, and receive comments and questions

- They can be used before, during, and/or after the public engagement process depending on project goals

- Surveys with the following features tend to be more effective:

  - Online and print availability

  - Simple language that is understandable for the average reader

  - At least a few week window of opportunity to complete the survey

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Citizen Advisory Committees

Citizen Advisory Committees

- Citizen advisory committees allow select community members to serve as representatives who work directly with their local government

- These committees share input from the community to local officials and vice versa, serving a key role in public engagement

- Advisory committees are especially useful for the following:

   - Sharing information with the broader community

   - Finding highly informed and engaged residents to shape the decision-making process and policies that are produced

   - Building trust with the community

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Continuous Action

- Consistency = Trust

    - Public engagement is not a one-time effort to gain public input

    and/or trust

    - It is a continuous mechanism by which local governments

    inform and learn from those they serve

- Practice Makes (Almost) Perfect

    - There may be growing pains at first, but learning through

    experience will make your public engagement efforts more

    effective over time

Common Property-Related Fees: Article XIII D, § 6

Rate Case Study

- Volumetric rates
- Enhanced analysis of customer classes and usage data
- Better synchronicity between residential and non-res
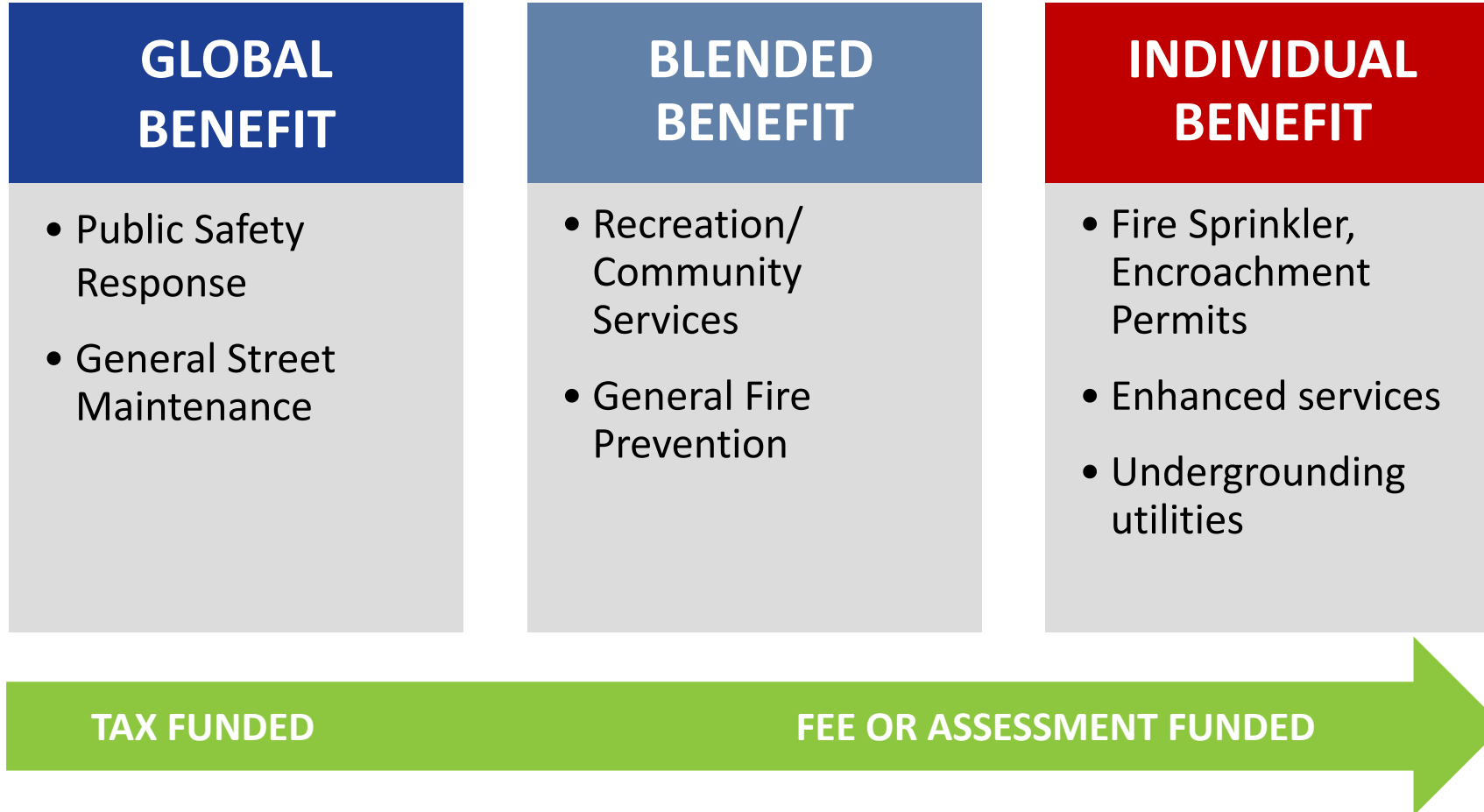- Community support
- Marin Grand Jury comments

What is up with Parcel Taxes, CFDs, Fees, and Benefit Assessments?

The Spectrum of Tax to Fee/Assessments...

GLOBAL BENEFIT	BLENDED BENEFIT	INDIVIDUAL BENEFIT
• Public Safety Response • General Street Maintenance	• Recreation/ Community Services • General Fire Prevention	• Fire Sprinkler, Encroachment Permits • Enhanced services • Undergrounding utilities

TAX FUNDED　　　　　　　　　　　　　　　**FEE OR ASSESSMENT FUNDED** →

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SFD Revenue Tools: The Short List

1 **Community Facilities District, or CFD**

2 **"Special" Parcel Tax**

3 **Special/Benefit Assessment Districts**

4 **Property-related fee** *(CSA's are special)*

Choosing Among Taxes/Fees/Assessments...

1

Develop Priorities

2

Choose SFD Tool(s)

Note: SFD=Special Financing Districts

CFDs and Parcel Taxes

NOT BENEFIT-BASED	APPROVAL MECHANISM	SAMPLE PROJECTS
• Reasonable metrics • Achieves local goals and policies	• Voter approved, still 2/3 required • CFD landowner vote(s)	• Schools and libraries • New development • Open space acquisition and maintenance

Benefit 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

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

ANALYTICAL RIGOR

- Voluntary nature?

- Analytical analysis

APPROVAL MECHANISM

- "Property-based fees" balloted

SAMPLES

- Sacramento Storm drain fee

- CSA fees for roads, fire, etc.

Should you update your general fee schedule?

Types of Fees and Rates

User/Regulatory Fees – P26
Fees limited to recovering the cost of providing the service

- Example: Building Permits

Entrance / Use Gov't. Property – P26
The City can charge whatever price the market will pay (must be competitive)

- Example: Facility Rentals

Fines and Penalties – P26
Fines are not subject to cost recovery rules and may be set by Council

- Example: Library Fines

Impact Fee (AB1600)
Separate legislative authority and process

- Example: Traffic Mitigation Fees

Rates (P218)
Separate legislative authority and process

- Example: Water / Sewer Rates

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.

Cost Allocation Plan (CAP) - Highlights

Legally Defensible Tool
*Complies with **Federal Law**, Industry Standards, and GAAP*

Industry Recognized Plan of ***Fair*** and ***Reasonable*** Costs

Empowers Staff
Understanding of overhead costs, better cost recovery

Multiple Uses –
Available for *Internal Costs Allocation* and/or Title 2 CFR, Part 225 (OMB-87)

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Let's talk legal stuff!